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A SCIENTIFIC SOLUTION

OF THE

MONEY QUESTION

BY

ARTHUR KITSON.

VOL. 5, NO. 3. DECEMBER, 1894.

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A SCIENTIFIC SOLUTION

OF THE

MONEY QUESTION,

On page 223 read "an" for "no" in the sentence "A commodity cannot be a common denominator of values, etc." so that it will continue "Since it has an existence apart from, etc."

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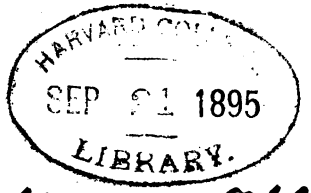

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TO THE

BEST AND NOBLEST TYPE OF GOOD HEROIC WOMANHOOD,

MY MOTHER,

I AFFECTIONATELY DEDICATE THIS WORK.

"If this so-called science, Political Economy, did not busy itself with that with which all juridical sciences are concerned,—with furnishing an apology for violence,—it could not fail to overlook the strange phenomenon that the distribution of wealth and the exploitation of some men by others are dependent upon money, and that only by means of money do some people command the labor of others nowadays,—that is, to enslave them.

"In antiquity, with its frequent conquest of nations and the absence of human equality, personal slavery was the most wide-spread method of subjugating men.

"In the Middle Ages the feudal system,—that is, landed property and the accompanying serfdom,—partially supplants personal slavery, and the centre of gravity of subjugation is transferred from the person to the land.

"In modern times, since the discovery of America and the development of commerce, with the overflow of gold made the universal money token, the money-tribute has become, with the strengthening of governmental authority, the chief means of the subjugation of men, and by it are determined all the economic relations of men."

COUNT LEO TOLSTOI.

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PREFACE.

It is almost a quarter of a century since Professor Jevons launched upon the world his now celebrated work, "The Theory of Political Economy," in which he demonstrated the possibility of treating economics as a purely mathematical science. He showed how all the terms with which it deals involve the consideration of quantities — are, in fact, strictly quantitative terms — such as utility, value, capital, interest, supply, demand and so on.

His treatment of the very ambiguous and hitherto mysterious subject of value, was the beginning of — what might be termed — a new era in economic science, so far as the theory of value is concerned, a theory which has held the attention of economists more exclusively during the past twenty years than any other branch of the science. It is to Professor Jevons that we are indebted for having rescued this most important subject from what seemed to be utter chaos, and for having brought the two terms, utility and value, into some sort of coherency. Notwithstanding, however, the importance of his contributions to theory, his labors do not appear to have conferred any practical benefit upon the social affairs to which they relate,— to money, trade and industry; to those things which it is or should be the aim of

the science to both elucidate and facilitate. Nor do I believe any better showing can be made — anything of what Lord Bacon called 'fruit' will be found — from all the labors of economists in the science of exchanges, during the past twenty years.

And yet there is nothing of more importance to the human race, nothing that stands in greater need of the light of science, than the subject of exchanges. Society is as much divided, and the opinions of the learned are as contradictory upon commercial and financial questions, as they were when Jevons commenced his famous work.

In spite of the able and voluminous contributions to the theory of Value, the Money Question — which is indissolubly associated with it, and depends almost wholly for its solution upon a correct interpretation of this word — remains in the same unsettled, unsatisfactory condition as it did prior to the rise of the modern English and Austrian Schools.

The question arises, then, is this science of economics incapable of solving the all-important social problems with which it deals?

Is the science to begin with and end in mere theories — theories which apart from the mental exercise they afford, have no practical bearing upon the affairs of life? I think not. I believe that a true science of economics can and must answer satisfactorily and conclusively all the riddles that have been for ages propounded by the social sphinx. I believe such a science will enable mankind eventually to abolish want and the fear of it; to create such an abundance of wealth that all will have enough and to spare; a condition where over-production will mean a profusion of wealth, and its antidote will be found in satiety instead of starvation. I see no reason why economics should not do for trade and industry what

the science of mechanics has done for the mechanical arts, or medicine and surgery for human life.

In the following pages I have attempted to sketch the direction in which a true science of wealth must inevitably lead, as well as the foundation upon which it must be built.

Although dealing mainly with what I believe to be the greatest and most stupendous problem of this or any age,—the Money Question,—I have digressed somewhat in the opening chapters, in order to enunciate a few leading principles to which the science must of necessity conform. I have also pointed out where, in my judgment, economists have invariably gone astray — a fact which explains the cause of the barreness of the science, and its failure to bear tangible fruit. One error — probably the most serious of all economic errors — and one which prevented Jevons from developing his theory of value into a practical reform of the highest importance,— I may be allowed to touch upon in this preface.

After defining value as the "ratio of exchange," and showing that it can be expressed only in terms of the ideal — numbers — he commits an almost unpardonable solecism in writing of "a standard unit of value" as "a fixed quantity of some concrete substance defined by reference to the units of weight or space." What "a fixed quantity of some concrete substance" has to do with a "ratio," and how a substance can become a standard "ratio," are questions that Professor Jevons failed to answer. The truth is that in spite of the clear definitions with which he set out, he afterwards confused his subject by employing the word "value" in a double sense: first, as the ratio of exchange; second, as purchasing power. Thus when speaking of a standard unit of value, he evidently means purchasing or exchange

power, i. e., the power conferred upon a commodity whereby it can be exchanged for a certain quantity of some other article of utility.

Again, how can "a fixed quantity of some concrete substance" represent a power not possessed by, nor residing in, any substance, but merely conferred upon certain objects by human desires — a power that varies and fluctuates, that appears and disappears with those desires? To my mind there is only one way in which a commodity can be rationally considered to represent a unit of "value," i. e., purchasing power. We may select a given quantity of a certain commodity, 25 8-10 grains of gold, for example, and say that whatever the purchasing power of this amount of gold happens to be upon a certain day, or at a given time, shall represent the unit of purchasing power. But this is a very different thing from selecting 25 8-10 grains of gold as a *permanent unit of value.* No fixed quantity of any substance — not even gold — represents a fixed quantity of purchasing power for any length of time. It is only at any given instant that we may consider a commodity to have a certain amount of exchange power. If then, we follow the variations in the exchange relations of commodities from any given instant, having first prized them all at that time in terms of the commodity selected as a standard, we have an absolutely correct and scientific system by which fluctuations in values may be registered with mathematical exactness, and which will be independent of the fluctuations in gold or any other single commodity.*

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* The following analogy will make this subject clearer. Imagine a number of balloons, A, B, C, and D, at different altitudes, and suppose we wish to trace the variations in

The mistake of Jevons and other economists was in omitting the element of time from their definition of a standard unit; an error similar to that in disregarding the degree of temperature at which the metallic bar that serves as the standard of length is to be taken. Of course the introduction of time destroys all hope of our ever possessing a *material* unit of value or purchasing power — a thing to which altogether too much importance has hitherto been given. Values are ideal creations and can only be properly expressed in terms of the ideal — numbers. In chapters V to VIII, as well as XI and XII, I have dealt fully with this question of the ideal, and have shown how an absolutely invariable ideal unit of purchasing power may be obtained, and how impossible and unnecessary it is to employ "a fixed quantity of some concrete substance" as a unit.

The difficulty that the monometallists and bimetallists are vainly contending against, but which they

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their relative positions from time to time. All that we know of their positions is that the distance between A and B is twice that between A and the earth, and that A to C is equal to three times A to B, whilst C to D is twice B to C. How are we to determine their positions? The problem is a very simple one and is analogous to tracing changes in values of commodities. Suppose A to the earth represented by x and is unknown. Then A to B =2x; A to C=6x; therefore, B to C=4x, and C to D=8x. By following the variations in the altitudes of each balloon, in terms of x, expressed as a certain percentage or power of x, we can always determine their relative positions. It is not necessary to know what x is; so long as we can express distance in powers of x, these relations can always be determined. x may be said to correspond to our ideal unit of purchasing power, and it is not necessary to know the dimensions of this unit in absolute terms. All we desire is to be able to trace the fluctuations in the purchasing powers of commodities in terms of x, either as multiples or fractions.

are unable to perceive, is, attempting to do with the *material* what can, from the very nature of things, only be performed by the *ideal*, viz., express and register fluctuations in values.

To those who may think the conclusions arrived at in this work visionary or impracticable, I would say that so far as the use of an ideal monetary unit is concerned, we already possess one, and fully 999 out of every 1000 persons use money to-day in this ideal sense. Probably less than five per cent of the population could tell what the dollar or the pound sterling represents in bullion. What everybody does know, however, is that a dollar and a sovereign represent just so much purchasing power, and that this is not due to the bullion behind them, nor the quantity they represent, but solely on account of the credit of the issuer, and of the fact that the exchange relations of all goods are expressed in pounds, shillings and pence, dollars and cents, or some similar ideal units.

The universal employment of token coins, paper money, etc., is an unanswerable argument to those who believe an ideal monetary system impracticable.

It may be thought by some that I have explained certain points with unnecessary prolixity, and the criticism of repetition may likewise be urged with a certain amount of justice. My defense to this is, that as far as I know, my treatment of this question is in the main entirely novel,* and the subject one of an exceedingly abstract nature; and in striving to make the subject absolutely clear and intelligent to the average reader, I have preferred incurring the

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*So far as I am aware the invariable ideal unit of purchasing power, suggested in chapter XII, and the entire treatment and development of this subject, is new as it is original.

charge of repetition than of ambiguity. The reiteration of a truth will harm no one. The evil to be avoided, especially in a subject of this nature, is obscurity.

The title of the book may seem somewhat pretentious. I do not wish it to be inferred that I am vain enough to believe this work to contain anything more than an indication or suggestion of the direction in which we must necessarily look for the final solution of this problem, which has been the great social riddle for centuries. Before concluding, I desire to acknowledge my deep indebtedness to my friend, Mr. William A. Whittick, of Philadelphia, for the many suggestions and valuable aid he has given me in the preparation of this book. I may say that, in an indirect way, Mr. Whittick is largely responsible for its appearance. It was from numerous discussions and considerable correspondence with him that I was induced to undertake the task. Further, it was originally through reading Mr. Whittick's pamphlet on the "Money Question," that I first saw the natural and inevitable conflict between money and specie, a subject that I have treated at length in chapter IX on the Gresham Law.

In conclusion I wish to say that in my judgment the Money Question is the key to all the various other social questions which are now subjects of so much agitation and political discussion. Much as I favor the agitation now in progress towards an improvement in our tariff policy, in our land-tenure system, and in the attempts to adjust the differences between labor and capital, to my mind it is evident that these questions are of secondary importance so long as money remains upon the present inequitable, unscientific basis.

In this discussion I have endeavored to show the necessity for dealing with the question wholly from a scientific standpoint. As a general rule its discussion has heretofore been confined to those who may be regarded merely as representatives of private interests — advocates of certain schemes, monometallists, bimetallists, free-silverites, green-backers, etc. — whose labors consist in vain attempts to create a science that shall harmonize with pre-organized, prearranged institutions. My aim has been simply to arrive at the truth, irrespective of any interests which it may favor or condemn.

If this work should in any way lead to a reconsideration of the laws by which the greatest and most dangerous monopoly of the age is maintained, and by which millions of men are doomed to suffer inevitable failure — if it should assist in freeing money — that most useful and ingenious of all human inventions for facilitating commerce,— and thereby emancipate industry from the restraints with which legislators, either ignorantly or wickedly, have surrounded it, the object for which this book was written will have been fully accomplished.

ARTHUR KITSON.

PHILADELPHIA, August 15, 1894.

INTRODUCTION.

"For my part, I have sworn fidelity to my work of demolition, and I will not cease to pursue the truth through the ruins and rubbish."—PROUDHON.

The period commencing with the year 1890 and extending to the present time will long be remembered as one of almost unparalleled business disaster throughout the civilized world. No nation has escaped the wave of industrial depression which, commencing with the failure of a London banking house, a few years ago, has swept over the entire globe. And nowhere have the effects been more severe than in the United States. "No other country" says a magazine writer,* "has ever incurred in so short a time such an amount of financial and industrial disturbance and disaster." Mills, factories and work-shops have closed, banks have suspended, and thousands have been suddenly reduced from affluence to poverty, whilst hundreds of thousands of wage-earners have been cast adrift to beg, starve, or join the ranks of those numerous bands of malcontents

* David A. Wells, in "Forum."

who, from almost every State in the Union, are now marching towards Washington. This period has been marked by no extraordinary natural calamities, such as famines, fires or floods, which occasionally precipitate whole communities into destitution. The factors in the production of wealth have been as prolific and as responsive as during any previous years of industrial prosperity. Men have been none the less eager to labor, machinery none the less efficient, and nature has not failed to respond as readily to the call of labor with bountiful harvests of wealth. There probably never was a period in the world's history when the factors of production were, as a whole, more efficient, when so much wealth could be created in so short a space of time and with so little expenditure of human energy, as now. Notwithstanding all this, we are to-day experiencing calamities greater in degree and more extensive than any that nature has ever produced. Millions of the world's inhabitants have been reduced to a condition as bad as though the fruits of their labor had been suddenly swept out of existence, or pestilence and famine had held undisputed sway. Nor is this period of depression without numerous precedents. Although in some respects severer and more universal in its ravages, the present panic belongs to the same order as those of previous years.

Appeal to those whose business it should be to investigate and interpret this class of phenomena, discloses a rather mournful and humiliating state of things, for the opinions of statesmen, financiers and economists are as divided regarding the cause of business panics as it is possible to imagine. Be the cause, however, what it may, the fact remains that after more than a century's experience, during which there have been not less than ten severe panics, no scientific explanation has yet been offered by either statesmen or economists for these decennial commercial crises, nor has a satisfactory remedy for their recurrence been suggested.

Since the trouble does not evidently arise, as we have seen, in the production of wealth, we may reasonably expect to find it somewhere in the mechanism of distribution. Complicated as is the machinery of modern commerce, it requires but the least reflection to perceive that the money question is the mainspring of the industrial world. That panics are known as *financial* panics is indicative of the fact that these troubles originate from disorganization of the mechanism of exchange. *Panics never arise in the industrial world unless precipitated by financial disorder.* In other words, instead of finance being, as it should be, the servant of industry, industry is the tool of finance, and the entire

production and exchange of wealth is now controlled by those who control the money of the world. Startling as it may seem, it is nevertheless true that the power to paralyze industry is in the hands of a comparatively few individuals, amongst whom concerted action can be effected at any time. This is a serious and menacing condition of things, and so long as it exists the lives and fortunes of almost the entire human race are virtually at the mercy of these men. The manner in which this condition of things has been brought about is entirely due to two or three gigantic fallacies underlying the world's monetary systems, which have become strongly intrenched by law, fallacies upon which the present science of economics has been reared. To fully perceive these errors we must examine them in both root and branches. I shall therefore briefly discuss in the first two chapters a few of the premises and assumptions of the present system of political economy.

To write a book upon a subject which has occupied the careful attention of many minds for generations, and to condemn theories and teachings that have received the endorsement of economists of all nations, ever since the science began, may seem at first sight the height of presumption. Nevertheless, I hold that so long as a problem remains unsolved, suggestions are in order.

Moreover, we are taught by the greatest of modern philosophers that "our thoughts are as children born to us, which we may not carelessly let die."*

The thoughts expressed in this work are those which have arisen from a careful and impartial study of the money question from every available source. The conclusion to which I have been irresistibly drawn, is that the whole science of political economy is founded upon the most glaring errors, errors to which are attributable nearly all the social evils with which we are confronted.

In the opening chapter I have taken a brief survey of the field occupied by the present so-called science, and have sought to establish a necessary relationship between ethics and economics, a relationship which, strange to say, economists have striven to ignore. In the second chapter I have striven to point out the necessity for an ideal economic standard of distribution corresponding to the ideals recognized by the science of ethics. From the practical standpoint the chief problem that to-day confronts civilization is how to establish a monetary system that will serve as the natural *tool* of industry, without becoming, as now, its *master;* a system that will fulfil all the functions of a medium of exchange

* Herbert Spencer in "First Principles."

without the possibility of abuse or monopolization. In other words, the problem is how to place commerce upon its own base and restore it to the natural condition which it has been prevented from occupying by law, by governmental-controlled systems of currency, by monopoly and privilege.

The creation of such a system would be the greatest blessing that any human mind could bestow upon humanity,—a gift that would do more to rid society of want, wretchedness and crime than all the measures of relief that were ever devised. Such a system would, I believe, be immediately called into existence were all restrictive legislation regarding money and exchange abolished. Notwithstanding the prodigious feats performed by man's inventive genius in the manner and means for producing wealth, the mechanism of exchange and system of distribution, under the fatal ban of legislation, remain as inefficient and inequitable as before the age of modern labor-saving inventions. In this field the human mind has not been allowed the advantages of experiment, and laws have completely blocked the path of social progress and turned men's activities into unnatural channels. In demonstrating these assertions I ask a careful, impartial consideration of the ideas herein advanced. For the usual hap-hazard expressions

of opinion from those who believe that what ought to be, is, and of those whose judgments are based upon the opinions of their favorite newspapers, or the sentiments of their political leaders, I am prepared. It is not from such that reforms come or receive encouragement; it is not from these that the conditions of life are made better or brighter; it is to the thoughtful men and women whose lives are passed, often painfully, in industrial pursuits, and who feel the friction and grinding of the machinery when it goes wrong, to whom I appeal. To such — in fact to nine-tenths of the civilized world — this money question is the supreme problem of the hour.

The conclusions arrived at will be found to be utterly at variance with those held by the financial world, and by nearly all who have written or taught anything regarding this subject. Nevertheless, I claim that these results are scientific and the inevitable conclusions of sound reasoning, and on these grounds I do not hesitate to challenge criticism.

CHAPTER I.

ECONOMICS AND ETHICS.

"It is surely a sad symptom for a science, when, in developing itself according to its own principles, it reaches its object just in time to be contradicted by another; as for example: when the postulates of political economy are found to be opposed to those of morality, for I suppose morality is a science as well as political economy. What, then, is human knowledge, if all its affirmations destroy each other, and on what shall we rely?"—*System of Economical Contradictions:* PROUDHON.

"That which is altogether just shalt thou follow, that thou mayest live and inherit the land."—DEUT. XVI: 20.

"In proceeding towards any given point, there is always one line which is the shortest—the straight; so in the conduct of human affairs there is always one course which is best—the just."

Modern civilization, which, as we are taught to believe, transcends that of any period in the world's history, may be said to be entirely the result of modern scientific thought. Nothing serves to illustrate so well the difference between the civilization of ancient Greece, for instance, and

our own, as to compare the mental attitude of the Platonists toward the sciences, with that of the nineteenth century philosophers. By the former science was studied not for the purpose of adding to the material comforts of life, nor to satisfy the vulgar appetites or wants of man, but to exalt the mind to the contemplation of "pure truth" and of things "which are to be perceived by the intellect alone." To bring science to the aid of manufacture was supposed to degrade what was regarded as a purely intellectual pursuit. Inventions were despised as being beneath the dignity of philosophy and fit only for craftsmen. Hence we learn that Archytas, who "had framed machines of extraordinary power on mathematical principles," was persuaded by his friend Plato to abandon mechanics as unworthy the attention of a philosopher. So we read that Archimedes considered geometry degraded by being employed in the production of anything useful, and "was half ashamed of those inventions that were the wonder of hostile nations."*

The high esteem in which science to-day is held is wholly on account of what the ancients termed its "vulgar utility." We prize mathematics, not because it leads to the contemplation of "the immutable essence of things," but because

* Macaulay's Essay on Lord Bacon.

it enables us to solve problems connected with the industrial arts and the ordinary affairs of life; so, too, with all other sciences. The age of speculation has given place to the age of practice. What to the ancients was the end of learning, viz: cultivation of the intellect and strengthening of the memory, is to us but a means to an end, and that end is human happiness.

In judging the merits of any science we are accustomed to inquire "What is its use?" "To what purpose is it applicable?" And our respect for it depends upon its demonstrated utility. Take for instance the science of ethics. In furnishing a basis for conduct, principles for right guidance and an ideal standard toward which humanity should ever aspire, the utility of this system of knowledge becomes apparent.

Of modern sciences none stands generally more discredited, nor have the claims of any system of knowledge to rank as science been more persistently opposed than political economy. Transcendently important to human life as are the phenomena with which it deals, it is questionable whether any branch of knowledge is less understood, or commands so little respect as this one.*

*After enumerating certain reforms that political economy has effected, Walter Bagehot, the author of several well-known economical works, says: "Notwithstanding these triumphs, the position of our political economy

Nor shall we be greatly surprised at this if we examine its doctrines in the light of existing science.

For many years past the civilized world has been confronted with problems which it is the professed aim of political economy to solve. But what do we find? Nothing but discord, disagreement and uncertainty among its doctors.*

The diagnoses of its various schools are contradictory. One school tells us the cause of industrial crises is "over-production;" another "under-consumption;" another says it is due to the credit system, whilst another holds the tariff responsible. Their prescriptions are found to be similarly antagonistic. One class prescribes greater freedom of trade, another greater restriction. This professor suggests the free coinage of silver, and that one denounces it. With such diversity of opinion we can hardly wonder that the science stands in such bad repute.

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is not altogether satisfactory. It lies rather dead in the public mind. Not only it does not excite the same interest, but there is not exactly the same confidence in it. Younger men either do not study it, or do not feel that it comes home to them, and that it matches with their living ideas. They ask often, hardly knowing it, will this 'science,' as it claims to be, harmonize with what we now know to be science, or bear to be tried as we now try science? And they are not sure of the answer."

*"Every country," says S. Laing, "has a political economy of its own."

Notwithstanding the diversity of schools and opinions, not one has yet provided a scientific solution of the economic troubles now afflicting the industrial and financial world. To thoroughly appreciate the condition of economics, we have only to imagine a similar condition existing in those sciences which command our implicit faith and reliance. Suppose every bridge constructed according to recognized mechanical principles collapsed after a few years of ordinary traffic, or every boiler built upon so-called scientific rules should explode as soon as it was subjected to the required steam pressure, or every patient treated according to the Homœopathic School of Medicine should die, in what light should we regard these sciences?

Political economy deals with the production and distribution of wealth, and its main object is to discover those laws and principles, guidance by which will tend to the material well-being and prosperity of the human race. "Considered as a branch of the science of a statesman or legislator, political economy," says Adam Smith, "proposes two distinct objects: First, to supply a plentiful subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; secondly to supply the State or Commonwealth with a revenue sufficient for the public services. It

proposes to enrich both the people and the sovereign."

"How happens it then," asks Proudhon, "that in spite of so many miracles of industry, science and art, comfort and culture have not become the inheritance of all? How happens it that in Paris and London, centres of social wealth, poverty is as hideous as in the days of Cæsar and Agricola?"

Look, for instance, at the condition of the wealthiest nation on earth, — England. Here — the birthplace of political economy—statesmen and legislators have been largely guided by its teachings. It is said that the "Wealth of Nations" revolutionized the opinions of England's ministers and caused them to enter upon a new policy in accordance with the doctrines propounded by the great English economist. Clubs were formed for the study of economic questions, and statesmen vied with each other in seeking to bring the commercial laws of England in conformity with those of the new science. After fifty years of this experience what do we find? According to the judgment of one of England's foremost statesmen and economists, the great work of political economy has been achieved.

"The controversies which we now have in political economy," said the Rt. Hon. Robert Lowe, "although they offer a capital exercise for the

logical faculties, are not of the same thrilling importance as those of earlier days. The great work has been done." Let us now look at the results. Bearing in mind that the object of the science is "to provide a plentiful revenue or subsistence for the people, and supply the State with a revenue sufficient for the public service," let us take a brief survey of "the great work" that Robert Lowe said "has been done."

"In the wealthiest nation in the world," says John Rae, "every twentieth inhabitant is a pauper; one-fifth of the community is insufficiently clad; the agricultural laborers and large classes of working people in towns are too poorly fed to save them from what are known as starvation diseases; the great proportion of our population lead a life of monotonous, incessant toil, with no prospect in old age but penury and parochial support; and one-third, if not indeed one-half of the families of the country are huddled six in a room, in a way quite incompatible with the elementary claims of decency, health or morality."

"Our exports during the past quarter of a century," writes Professor Fawcett, "have advanced from £50,000,000 to more than £250,000,000, and our imports have increased to a still greater amount; yet, incredible as it may on first consideration appear, it can, I believe, be proved

that whilst there has been this unprecedented increase of wealth, the remuneration of labor has in many instances scarcely advanced at all."

Speaking of the industrial condition of Scotland's greatest city, Matthew Arnold says: "Who that has seen it can ever forget the hardly human horror, the abjection and uncivilizedness of Glasgow?" "Nothing is more certain," writes Professor Cairnes, "than that, taking the whole field of labor, real wages in Great Britain will never rise to the standard of remuneration now prevailing in new countries, a standard which, after all, would form but a sorry consummation as a final goal of improvement for the masses of mankind. . . . The exertion of labor and capital produce 5, 10, 20 or 100 times more than it did 100 years ago. Yet wages have not increased in any such ratio, and it is even questionable whether profits have risen. . . . The large addition to the wealth of the country has gone neither to profit nor to wages, nor yet to the public at large, but to swell a fund ever growing, even while its proprietors sleep—the rent-roll of the owners of the soil."

Here it is apparent that political economy has failed to achieve what its chief apostle designated to be its special mission, nor do we find in turning to other nations with their several schools a much better state of things. "Any one," writes

Prof. Huxley, in his "Social Diseases and Worse Remedies," "who is acquainted with the state of the population of all great industrial centres, whether in this or other countries, is aware that amidst a large and increasing body of that population, la misére reigns supreme. I have no pretensions to the character of a philanthropist, and I have a special horror of all sorts of sentimental rhetoric; I am merely trying to deal with facts, to some extent within my own knowledge, and further evidenced by abundant testimony, as a naturalist; and I take it to be a mere plain truth that throughout industrial Europe there is not a single large manufacturing city which is free from a vast mass of people whose condition is exactly that described, and from a still greater mass who, living just on the edge of the social swamp, are liable to be precipitated into it by any lack of demand for their produce. And with every addition to the population, the multitude already sunk in the pit, and the number of the host sliding towards it, continually increase."

"In the United States," says a well-known author,* "squalor and misery and the vices and crimes that spring from them, everywhere increase as the village grows to the city, and the march of development brings the advantages of

* Henry George, in "Progress and Poverty."

the improved methods of production and exchange. It is in the older and richer sections of the Union that pauperism and distress among the working classes are becoming most painfully apparent."

"I have been told," says a clergyman* who witnessed the recent great railroad strike, "that the average wages paid by the Pullman Company are $1.87 per day. I doubt it much. It is claimed that the men are not receiving 'starvation wages.' I know many of which this is true, but they are the exception and not the rule. I know a man who has had, after paying $14.50 rent for four small rooms and seventy-one cents for water rent, but seventy-six cents a day left to feed and clothe his wife and children. When we remember that this is an average case, that it is on the basis of full time, then in the name of all that is just and right, I say God help that man if his dependents be many or if sickness invade his home."

This is a description of what exists in America's so-called "model town." "It is," says the same gentleman, "a civilized relic of old-world serfdom. To-day we behold the lamentable and logical outcome of the whole system."

During the recent great coal miners' strike

*Rev. Mr. Cawardine, Methodist minister at Pullman, Ill.

throughout this country the following press despatch appeared in all the newspapers: "I have never seen such a discouraged set of men as the miners of this neighborhood have been since the last reduction was made. They know it matters not how steady they work, they cannot make enough money to keep a small-sized family in the necessary food, and they have concluded that if they have to starve, they prefer doing it at once and not by degrees."

Here in the two wealthiest and most civilized nations on earth, we find labor leading a miserable existence, in a chronic state of warfare against capital, and periodically striking for "living" wages. Under the régime of this so-called science, society presents us with the two extremes of vast wealth and wretched poverty side by side; of the wealth-producer doomed to a poor existence, and the non-producer born to a life of luxury. With such results drawn from experience, what other judgment can we pronounce upon a system which works out so differently from what is desired, than that of being false and unscientific? What faith can we place in a science the object of which is "to enrich both the people and the sovereign," that fails so completely in its main object?

But the question arises, "Have the principles of political economy had free play in any

industrial community where poverty still exists?" "Have those nations in which poverty progresses with wealth been governed by its principles?" The patient who neglects to follow his physician's advice cannot justly hold him responsible for failure to regain health. So far as England and the United States are concerned there can be little doubt but that in all essentials the laws of each nation have been, in the main, favorable to the workings of its respective school—schools, which, while differing in matters pertaining to foreign trade, agree in almost every other branch. Indeed, orthodox political economy is founded upon certain legalized institutions, which have been handed down from mediæval times. Its fundamental assumptions recognize so-called "private rights," which governments of all nations have built up and strengthened. It is founded in a large measure upon the principles recognized by juris-prudence—better named "juris-ignorance." There can be no question that the production of wealth during the past century has been enormously in excess of any, within a similar period, that the world has ever known. But with the production of wealth, economics has had comparatively little to do. This growth of production has been due to invention, discovery, and the physical sciences. It is with the distribution of wealth the science is chiefly employed, and it is in

this particular where it has failed. In each country we find wealth distributed amongst the so-called three factors, in rent, interest and wages, according to the laws governing these respective institutions. We find supply and demand governing the prices of all commodities, even the factors themselves. Exchange is carried on by the methods and rules approved by leading economists. Money is regarded by merchants in the same light as the highest authority on finance regards it, and gold has become—thanks to economists and legislators—the universal basis for currency. The doctrines of Malthus are found to work like a charm, and the man for whom capital has no employment, finds no plate set for him at nature's banquet. In our dealings with each other we have imbibed the supreme principle of political economy—selfishness, and the three cardinal virtues, abstention, deception and avarice are universally practiced.

So closely has the fundamental law of this science—to gratify one's desires with the least expenditure of energy—been followed, that a large percentage of the race have devised schemes for living without the expenditure of any energy at all —on their part. We have acquired not only the art of buying in the cheapest, and selling in the dearest markets, but modern ingenuity has discovered a plan for controlling the markets them-

selves, thus making goods cheap or dear at pleasure.

In conformity with economic teachings we have abolished the duty of alms-giving—a system which served to mitigate to a considerable extent the miseries to which the laboring classes were exposed during mediæval times—and have enacted tramp and vagrancy laws, thus making poverty a crime. We have learned to treat labor absolutely as a commodity and have made it entirely subservient to the laws of supply and demand, notwithstanding our high pretensions regarding the immorality of slavery. In short, our modern commercial and industrial system seems to conform entirely to the principles and teachings of orthodox economists. So far, then, it is fair to say that the principles of political economy have had reasonably free play in the countries we have been considering, and therefore we are warranted in passing judgment upon the system which bears such fruit. But it will be contended that though conditions are bad, they are better than they were and are continually improving; that although labor is admittedly in a "dim-eyed, narrow-chested condition," it is slowly but surely gaining in health and happiness.

For instance, we are told by an optimistic economist, Mr. W. H. Mallock, that "the poorer classes as a body have advanced and are advancing

enormously."* Another writer informs us that the pauper of to-day enjoys comforts and privileges unknown to even the nobility of a few centuries ago. As though the privilege of looking through a pane of glass, or walking an electric-lighted, well-paved street, could assuage the pangs of hunger or protect one from the icy blasts of a winter's storm! Against the statements of Mr. Mallock, however, we have that of Prof. Thorold Rogers: "I have protested against that complaisant optimism which concludes because the health of the upper classes has been greatly improved, because that of the working classes has been bettered, and appliances unknown before have become familiar and cheap, that therefore the country in which these improvements have been effected must be considered to have made for all its people regular and continuous progress." And again, "relatively speaking, the working man of to-day is not so well off as he was in the 15th century." He adds, "the freedom of the few was bought by the servitude of the many." †

We have also the statements of both Professors Fawcett and Cairnes before quoted. We have likewise the evidence gained from experience in all new countries of the inevitable growth of pov-

* "Property and Progress."

† "Work and Wages."

erty with the progress of wealth, as demonstrated by Mr. Henry George in his "Progress and Poverty." But outside of any opinion, the fact remains that after a century's unprecedented growth of wealth, the one human factor in production still remains as a class, within sight of starvation, and unable to face, unaided, what are known as "hard times." *In short, so far as enabling the majority of people to provide themselves with a plentiful subsistence is concerned, political economy has been an ignominious failure.*

Passing from the condition of society to the particular phenomena with which it should deal, we find the science confronted with problems which it has thus far been powerless to answer. For instance, those regularly recurring decennial crises with which we are so familiar, we find economists regarding "with the same passive emotions of wonder and submission, with which in the material world we survey the effects produced by the mysterious and uncontrollable operation of physical causes." * Passing within the realm of the science itself, we find it affording far greater cause for wonder and amazement than food for instruction. Starting originally with the intention of discovering laws by which the greatest amount of wealth can be produced and enjoyed by society,

* Dugald Stewart.

it concludes by showing how wealth can best be conserved by controlling and limiting the production of human beings. The problems which it originally propounded have become inverted. Acquisition of the means of wealth-production is set forth as the end of social existence. Instead of wealth being produced for the benefit of mankind, the right to life, by the majority of beings, is regarded solely from the standpoint of their ability to create wealth, whilst often this right is denied. Listen to the following passage from Malthus: "A man who is born into a world already occupied, his family unable to support him, and society not requiring his labor, such a man, I say, has not the least right to claim any nourishment whatever; he is really one too many on the earth. At the great banquet of nature there is no plate laid for him. Nature commands him to take himself away, and she will not be slow to put her order into execution."*

The least intelligent person can hardly fail to perceive that under those laws which economists declare essential to social progress, nine-tenths of the people are the servants or slaves of the other

*I have quoted this passage from Benj. R. Tuckers' translation of Proudhon's "Economical Contradictions," as I have not the original work itself. The words may not be identically those used by Malthus, but the sense is the same.—AUTHOR.]

tenth, whilst the whole of society is dominated by, and subordinated to the things it produces. Instead of labor employing capital (i. e. human beings employing their own productions) we find capital employing labor.

"Although labor is the starting point in production," writes Prof. Jevons,* "and the interests of the laborer the very subject of the science, yet economists do not progress far before they suddenly turn around and treat labor as a commodity which is bought up by capitalists. Labor becomes itself the object of the laws of supply and demand, instead of those laws acting in the distribution of the products of labor. Economists have invented, too, a very simple theory to determine the rate at which capital can buy up labor. The average rate of wages, they say, is found by dividing the whole amount of capital appropriated to the payment of wages, by the number of the laborers paid; and they wish us to believe that this settles the question."

In the branch known as exchange we find the same remarkable inversion of the natural order of things. The mechanism for distributing wealth has become the highest form of wealth. Money, instead of remaining the medium or tool of exchange, has become its ultimate object, and

* "Theory of Political Economy."

commodities, although produced for consumption, are regarded mainly from the standpoint of their ability to produce that which should function solely as a means for exchanging them. In place of finance serving industry we find industry the slave of finance. The end sought by the wealth-producer has come to be recognized as work. Universally good harvests and general increase in production and manufactures are regarded with dismay by producers as leading to overproduction and consequent starvation, whilst a wholesale destruction of wealth by fire, flood or war is hailed as a boon to the masses.* In fact, regarded from a rational standpoint, the whole commercial and industrial world appears to be standing upon its head.

The present science of economics is made up of antinomies. Whilst recognizing wealth as essential to social life, it demonstrates that the conditions favorable to its growth do not conduce to

* Since writing the above, I cut the following from the *Philadelphia Inquirer*, Aug. 6th, 1894: "The reports of serious damage to the corn crop have advanced the price of that grain five cents a bushel, making an advance of eight cents in two weeks. The grain is now seven cents a bushel higher than at this time last year; and yet it does not appear that the crop will be any less in 1894 than it was in 1893. *The higher price at which the grain is now quoted thus means prosperity to a very large and important consuming element in the population.*

social health. The laws that lead to wealth production lead to starvation. Overproduction and want go hand in hand. The self-same laws that govern distribution of the means of existence, are continually urging man towards destruction. Life and death are inextricably mixed up in all its prescriptions.

The original problem was "How can wealth be controlled to serve the best interests of society?" To-day the problem is "How can nine-tenths of society be controlled to serve the interests of existing wealth?"

Viewing it from an ethical standpoint we shall find still further grounds for astonishment. "Political economy generally," says Prof. Smart, "is based on the analysis of economic conduct."* Yet we find economic conduct to be utterly irreconcilable with any standard of right conduct. Not only so, but economists have not hesitated to proclaim economics and ethics as irreconcilable. "Moral considerations have nothing to do with political economy," says John Stuart Mill. "The economic 'want' is not necessarily a rational or a healthy want," says Prof. Smart.

Prof. Cairnes writes: "I am unaware of any rule of justice applicable to the problem of distributing the products of industry; and any attempt

* Introduction to "The Theory of Value."

to give effect to what are considered the dictates of justice, which should involve as a means towards that end, a disturbance of the fundamental assumptions on which economic reasoning is based, more especially those of the right of private property and the freedom of individual industry, would, in my opinion, putting all other than material considerations aside, be inevitably followed by the destruction or indefinite curtailment of the fund itself, from which the remuneration of all classes is derived." He adds, "As to the amount of truth or morality which these several maxims of political economy embody, I am not concerned here to inquire. My business with them has reference exclusively to their efficacy as rules for regulating the production and distribution of wealth."

As well might the navigator say, "As to the correctness or incorrectness of the ship's compass, I am not concerned to inquire. My business is simply to sail the ship."

So the metaphysician might say, "As to the truth or correctness of my premises, I am not concerned to inquire. My business with them is simply to arrive at logical conclusions"

I confess that there is, to my mind, something amazing in these frank statements of Mill and Cairnes. How they could presume to suppose they were building a science governing human actions—for the production and distribution of

wealth is entirely regulated by human actions—without any regard to that science which governs right conduct, is to me inexplicable.

With Proudhon, we may remark that "It is surely a sad symptom for a science, when, in developing itself according to its own principles it reaches its object just in time to be contradicted by another."*

We now pass to a consideration of the premises upon which the science is built. Economists assert that wealth is the resultant of three factors: land, labor and capital. Allowing, for a moment, the assertion, we must recognize that this classification places all human exertion under one heading, viz: labor. Hence there is but one human factor in production; and since, in order to maintain and properly develop them, the factors must be properly nourished and replenished from wealth produced, in the absence of anything to the contrary, reason would suggest that all wealth should be divided among them in proportion to their needs. That is, that the land should be properly fertilized and irrigated, capital replenished and the balance should go to labor. This would seem to harmonize with the principles of ethics. To parody a political adage we may justly say "to the factors belong the spoils."

* "System of Economical Contradictions."

But what do economists say? "The products of industry," say they, "are divided into three parts. One part goes for use of land and is termed rent; another to labor and is called wages; and another to capital and is known as interest." Instead of rent going to land, then, it goes to a landlord, and interest is similarly paid to a capitalist. But to what purpose are these portions of wealth, which are paid to landlords and capitalists, applied? To fertilizing land and repairing capital? Not necessarily. The main disposition of this wealth is used to support the landlords and capitalists themselves, rather than maintain the factors that they justly or unjustly represent. With this question, however, economists do not bother themselves. There is here, evidently, some gross error, something entirely misleading and wholly unscientific. Beginning with three factors in production, *one* of which is human, economists end by distributing wealth among three factors, *all* of which are human. As factors in production, landlords and capitalists do not appear. On what basis, then, do they appear as factors in distribution? "Rent," they say, "is for the use of land." Now the natural payment to land for its use is labor. There is no just reason to exact payment for use unless the thing is used. To use land is to work upon it, — to labor. Without such labor there can be no return, for nature gives only to

labor; hence, the payment nature demands is labor. To use is to employ, and to say that *land* is an agent in production, and the *use of land* an agent, is one and the same thing. In other words, land as a factor necessarily means its use, and the natural and only just payment for use is labor. Labor is, in fact, nature's rent, and this is the only form of rent that is just. To pay rent to a landlord, therefore, means a double tribute, a natural and an unnatural one. But land is nature's product, and her rent there is not the slightest possibility of evading. What part then does the landlord furnish? Where is his *quid pro quo?* To these questions political economy gives but evasive answers; and yet, if it be a science it must answer them, and answer satisfactorily.

Again, interest we are told is the reward for abstinence.* Now although the term "reward"

* "The claim to remuneration, founded on the possession of food available for the maintenance of laborers, is of another kind — remuneration for abstinence, not for labor. If a person has a store of food, he has it in his power to consume it himself in idleness, or in feeding others to attend on him, or to fight for him, or to sing or dance for him. If, instead of these things, he gives it to productive laborers to support them during their work, he can, and naturally will, claim a remuneration from the produce. He will not be content with simple repayment; if he receives merely that, he is merely in the same situation as at first, and has derived no advantage from delaying to apply his savings to his own benefit or pleasure.

is frequently used as meaning natural result, it is more often used to signify a gift, donation or present, i. e., something given to a person which does not naturally result from his labor or services. The reward of labor is the term as used more often in the first sense, whilst a reward for bravery is used in the second. In which sense, then, is the term interest—the reward for abstinence—used? Let us see.

If I abstain from the practice of certain vices I escape the pain and misery that I should otherwise suffer. This is the "reward" or natural result of abstinence. If, on the other hand, I abstain from eating and drinking for a long time, I become weak and faint, and if abstinence is continued sufficiently long, I shall die. This is also the "reward," or rather the penalty of abstinence. Now by abstaining from the consumption or use of a thing, I can do no more than preserve it for a certain length of time, whereas by using or consuming it I deprive myself of its future use, instanter or by degrees. Things do not grow, nor

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He will look for some equivalent for this forbearance." "Principles of Political Economy," Book I, chap. I: JOHN STUART MILL.

[The absurdity of this statement is exposed by economists themselves. For wealth becomes capital only by employment. Wealth must be used and consumed in order to become productive. It is use or consumption, not abstinence, that is productive.—AUTHOR.]

enlarge, nor develop by mere abstinence. "You cannot have your cake and eat it. Of course not; and if you don't eat it, you have your cake—providing the mice do not get at it during the night—but not a cake and a half."* On the contrary, things deteriorate without use. Iron will rust, wood decay, stone perish, cloth become moth-eaten, food will rot, metals oxidize, in fact, all of man and nature's products undergo dissolution sooner or later. *There is no such thing as unchangeableness in wealth.* The natural result of abstinence is never more than temporary preservation of a thing we abstain from using or consuming; and in very many cases things are preserved longer by use than by withholding them from use, such as factories, houses, machinery, etc. In some cases use improves the condition of things. A machine will become more efficient in power after certain use, owing to the reduction of friction. A horse improves with judicious exercise. A steamship is not considered as good when first built as after several voyages.

The result then is this: That the natural result of abstinence, so far as abstaining from using or consuming wealth is concerned, is that in some cases wealth gradually deteriorates, and in

* Ruskin.

others perishes utterly and instanter. *In no case does mere abstinence create increase.* What, then, is the meaning of the statement that interest is the "reward of abstinence?" Clearly it is not a natural result; it must, therefore, be a gift or present. Now to give voluntarily is a perfectly moral act; but to be compelled to give what we would otherwise not give, denotes the régime of injustice. A system enforcing or necessitating such involuntary giving is immoral; it is, in fact, a system for promoting robbery.

Again, what about labor? Why do economists exclude labor from demanding payment for use? Why do they refuse to treat this factor with the same consideration as the others? Wages are merely — nay scarcely — sufficient for labor's support. Why, then, is not labor entitled to a return for *its* use? For observe rent, the price of use of land, is not devoted to maintain land; this cost the tenant provides. He is compelled to fertilize the earth as well as to pay rent. Why, then, should not capitalists who hire labor support the laborers and pay rent for their use? Are men of less consequence than plots of ground or piles of bricks and mortar?

Consideration of political economy from all sides, shows us that it is thoroughly unscientific. It does not accomplish what it professes, it fails to solve the problems with which it deals, it refuses to har-

monize with established science, it is incoherent, illogical, irrational. When we consider how different are the results of the operations of many of its teachings from those predicted, we shall see that it has, on the whole, not even reached the stage of undeveloped science, i. e., qualitative prevision. In fact, political economy, as taught and practiced, is simply in the elementary stage of empiricism. Whilst there must necessarily be serious incompleteness in all sciences in their formative stages, still we can hardly conceive that system to be scientific which, in proportion as it is developed, becomes more and more opposed to some other branch already established. This, however, political economy does. It is openly and professedly at variance with the science of ethics. The question then arises, is political economy incapable of development into an exact science? Admitting, as we must do, the comparative worthlessness of the present "incoherent ensemble of theories to which the name of political economy has been officially given for more than a century," must we despair of raising it to the utility of the physical sciences? I think not. I purpose demonstrating the cause of past failure, and showing the utter futility of endeavoring to build a science on the lines prescribed by economists. I shall also endeavor to point out what, in my judgment, is the only true road to success.

With Proudhon "I affirm the reality of an economic science. I affirm the absolute certainty as well as the progressive nature of economic science."

Let us at the outset clearly understand what political economy is, what it deals with, what is its aim, and what it should seek to accomplish.

The term "economy" comes from the Greek, oikos, a house, and nomos, the law. Hence "economy," the law regulating the household — a term which to the Greeks signified all the goods in possession of the family. Political comes from "polis," the state. Political economy, therefore, signifies the law or laws governing the goods in the possession of the State or of society; or as we would now say, the laws governing social wealth. The term wealth is of Saxon origin, and means literally "weal" or "well-being." *Political economy deals then with the production and distribution of those things that tend to social weal or well-being.* It will now become evident that a true science of economics must necessarily be a moral science, and any system of wealth production and distribution that is contrary to the principles of justice cannot be a system of economy at all, but of extravagance, of wastefulness.

To begin with, moral conduct is that line of human action, conformity to which tends to promote the life, happiness and well-being of society

and its members. And as we have seen, economics deals with the production and distribution *of those material things* that tend to the life, happiness and well-being of society and its members. Hence the same test that is applied to ethical teachings must be applied to economic teachings.

Do they tend to the maintenance of a complete social life for the time being? And do they tend to the prolongation of social life to its full extent? To answer yes or no to either of these questions is implicitly to pronounce these teachings true or false.* To say that "moral considerations have nothing to do with economics" is to imply that economic conduct is not necessarily moral conduct. Then it may be immoral conduct. And to say that immoral conduct is conducive to the economic production and distribution of wealth is to say that immoral conduct tends to promote human happiness, which is contrary to the definition.

Consideration of the conditions favorable to the growth of wealth will also demonstrate the fact that economics is a moral science, for the growth of wealth is dependent upon maintaining the efficiency of the factors of production, and the degree of efficiency is proportional to the de-

* See Data of Ethics. Spencer, chap. 6, §31.

gree of equity shown in distributing the products of industry. In communities where a man's property is insecure, or where the fruits of his toil are taken entirely from him, where labor goes unrewarded, where the land does not receive its due return of nitrogenous matter, where capital is subjected to continuous raids by some more powerful neighbor, wealth does not increase, but nations continue in a low state of living. As Spencer has shown, it is where the régime of status is superceded by the régime of contract, where militancy gives place to industry, where men reap and can retain the fruits of their labor, that wealth becomes most abundant, and this condition is most favorable to the growth of morals.

In fact, "the recognition of the right of property is originally recognition of the relation between effort and benefit." *

The law of nature which implies the survival of the fittest, "that individuals of most worth shall have the greatest benefits, and inferior individuals shall receive smaller benefits or suffer greater evils," is the law to which a scientific system of economics must necessarily conform. Now the ethical interpretation of this law is, "that each individual ought to be subject to the

* "Justice." Spencer.

effects of his own nature and resulting conduct," * and the economical and ethical teachings are summed up in the Christian declaration, "If any will not work, neither shall he eat." And this is the law of justice. †

That benefits received should be proportional to merits, is as essential to a sound economic system of distribution of wealth as to the development of species.

Confirmation of this is found in the animal kingdom. "Instance the destruction of the drones when no longer needed by the working bees." "It is said that from a colony of beavers, an idler is banished, and thus prevented from profiting by labors in which he does not join." ‡ Idleness is, however, so rare in the animal world, that few instances can be cited.

Although economists professedly ignore the moral aspect of economic questions, and notwithstanding that when considered as a whole the present system is opposed to morality, yet, in one or two of its distinct branches, theoretically speaking, ethics plays an important part. Representation of an exchange transaction, for instance, assumes the principle of equity. A

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* Herbert Spencer, "Justice." † Ibid.

‡ Herbert Spencer, in "Justice."

simple exchange is represented by the sign of equality, thus:

Commodity A = Commodity B.

As J. B. Say remarks: "In all fair traffic, there occurs a mutual exchange of two things, which are worth one the other at the time and place of exchange." Here there is recognition of justice, and although in the commercial world practice is far from corresponding with theory, knowledge of what should be tends to elevate practice above what it otherwise would be. Again the economic importance of the moral qualities is unquestionably great. "The moral qualities of the laborers" says J. S. Mill "are fully as important to the efficiency and worth of their labor, as the intellectual." *

Speaking of other branches, Herbert Spencer writes: "While one of the settled conclusions of political economy is that wages and prices cannot be artificially regulated with advantage, it is also an obvious inference from the law of equal freedom that regulation of them is not morally permissable. On other questions, such as the hurtfulness and tamperings with banking, the futility of endeavors to benefit one occupation at the expense of others, political economy

* "Principles of Political Economy," Book I, chap. 7.

reaches conclusions which ethics independently deduces."*

It can hardly be questioned that if Christianity had been true to its original doctrines, the social problems that to-day menace civilization would have been long since satisfactorily solved. The basis for a true science of political economy is summed up in the teachings of Scripture regarding work, wealth and conduct.

For instance, in the command "If any will not work, neither shall he eat," we have the foundation for a scientific system of distribution, viz., that wealth should be distributed amongst its producers only. "Let no man seek his own, but every man another's wealth," 1 Cor., x, 24, is an injunction which tends to the development of social wealth, by teaching us that in production we must ever keep in mind the good of society. It is an injunction which, if kept, would prevent individuals from becoming rich at the expense of society. And again, "Moreover, the profit of the earth is *for all;* the king himself is served by the field,"

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* It may be well here to remark, that economists themselves are not universally agreed as to these conclusions which Mr. Spencer takes as settled. There is still a very large school that cling to the idea that State tamperings with trade, labor, and banking is beneficial—such as the American School for instance.

Eccl. v, 9. (How came the Rev. Mr. Malthus to overlook this text?)

Nothing is clearer or more certain regarding early Christianity than that it strongly denounced and opposed interest or usury (i. e., payment for use). Almost every utterance on this subject by Scripture shows abhorrence of the system which the church of to-day assists in supporting.

For instance, "And if thy brother be poor and powerless with his hands at thy side, thou shalt take his part upon thee. Thou shalt take no usury of him, nor anything over and above, and thou shalt fear thy God. I am the Lord, and thy brother shall live with thee. Thou shalt not give him thy money for usury; and thou shalt not give him thy food for increase." Also, "He that by usury and unjust gain increaseth his substance, he shall gather it for him that will pity the poor." Here "usury" is classified with "unjust gain."*

* Professor Huxley's views on Bible reading, called out through discussion in the London school board, are these: "Greatly to the surprise of many of my friends, I have always advocated the reading of the Bible, and the diffusion of the study of that most remarkable collection of books among the people. Its teachings are so infinitely superior to those of the sects, who are just as busy now, as the Pharises were 1800 years ago, in smothering them under the 'precepts of men'; it is so certain, to my mind, that the Bible contains within itself the refutation of nine-tenths of the mixture of sophistical metaphysics and old

If, then, economics is essentially a moral science,* its fundamental assumptions must be necessarily moral. No truthful results are possible from a system that has adopted assumptions contrary to ethical principles. And here we arrive at the cause of the failure of orthodox political economy, a system which is the development of certain legalized institutions, such as the present method of land-ownership, of governmental privileges, the State monopoly of money, etc., which have been handed down from the superstitious ignorance and uncivilization of past ages; "institutions which" as Matthew Arnold says, "are based upon the religion of inequality," that is, of

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world superstition which has been piled round it by the so-called Christians of later times; it is so clear that the only immediate and ready antidote to the poison which has been mixed with Christianity, to the intoxication and delusion of mankind, lies in copious draughts from the undefiled spring, that I exercise the right and duty of free judgment on the part of any man, mainly for the purpose of inducing other laymen to follow my example. If the New Testament is translated into Zulu by Protestant missionaries, it must be assumed that a Zulu convert is competent to draw from its contents all the truths that it is necessary for him to believe. I trust that I may, without immodesty, claim to be put on the same footing as a Zulu."

* "That the moral law is the unchanging law of progress in human society is the lesson which appears to be written over all things."—KIDD'S "Social Evolution."

inequity or injustice. And these institutions, economists and statesmen, aided by the church, have invested with an air of as much sacredness, solemnity and mystery as that surrounding the ark of the covenant or the Dalai Lama of Lhasa.

The subject matter with which political economy deals is inextricably interwoven with human feelings and passions, and has been the most jealously guarded, the most carefully watched, and interference with which has been most relentlessly punished, of any subject of human inquiry.

To this also, in a measure, is attributable the cause of the unscientific nature of our present system. The path of economics has been indeed a stormy one. It has had, and still has the same, if not more bitter opposition to encounter than that which characterized the advancement of science during the middle ages. Even to-day the discussion of these economic subjects arouses the enmity of certain classes, particularly the land-holding capitalistic class and their tools—the legislators. In some of the American colleges no professor is allowed to hold or teach doctrines opposed to the private interests of those whose wealth has been produced under laws passed for their especial benefit, and from whom such colleges derive their support.

"In the domain of political economy" says Karl Marx, "free scientific inquiry meets not

merely the same enemies as in all other domains. The peculiar nature of the material with which it deals, summons as foes into the field of battle, the most violent, mean and malignant passions of the human breast, the furies of private interest. The English Established Church will more readily pardon an attack on thirty-eight of its thirty-nine articles, than on the one-thirty-ninth part of its income. Now-a-days, atheism itself is *culpa levis* as compared with criticism of existing property relations." (Preface to Das Kapital.)

The result is that free scientific inquiry has been suppressed, and economists have become mere apologists for private interests. In place of investigating those fundamental assumptions upon which their science is built, they have been employed in attempting to justify the existence of certain institutions. In fact, the whole science as it is now taught, is merely a development of so-called private rights and privileges, instead of the classification of laws governing the material progress of society. Instead of being what it professes to be, viz., the economy of the State or of society, modern political economy is a system of political extravagance. It is as Ruskin says, a mere mercantile economy, i. e., the economy of "merces" or of "pay"; "the accumulations in the hands of individuals of legal or moral claims upon, or power over, the labor of

others; every such claim implying precisely as much poverty or debt on one side as it implies riches or right on the other. It does not therefore necessarily involve an addition to the actual property or well-being of the State in which it exists." *

It is a system by which wealth is produced by one part of society and taken by the other. It is the art of enriching individuals at the expense of the many, "the art of establishing the maximum inequality in one's own favor." That is, not merely of acquiring wealth for one's self, but of preventing one's neighbors from acquiring any. It measures wealth not solely by the quantity of good things possessed, but by the difference between the amount possessed by the individual and that possessed by the average citizen.

To the peculiar nature of its phenomena and its relation to human life, we may attribute in a great measure the present chaotic condition of the science.†

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* Fors Clavigera.

† Professor Jevons makes the confession that "one hundred years after the first publication of the 'Wealth of Nations,' we find the state of the Science to be almost chaotic."

Small wonder, when, after searching investigation, it stands revealed as an organized system of robbery and poverty!

For the greater part of the world's history, of which we have knowledge, the commonest method of distributing wealth was for the strong to forcibly seize that belonging to the weak. This was the system that the ancient states of Greece and Rome practiced, with such appalling results. As long as slavery existed, as long as the right of might was recognized, so long was it impossible to start with premises based upon existing conditions with any assurance of establishing a science of economy. No scientific system of economics is possible under slavery or serfdom.

Now it is from the customs and privileges recognized by an age when slavery was legitimized, when brute force was the only law, and men still sunk in barbarism, that orthodox economy takes its assumptions, accepting them as permanent conditions, removal of which must not be thought of. Take, for instance, the system of land-ownership. "The course of nature," says Spencer, "red in tooth and claw, has been, on a higher plane, the course of civilization. Through 'blood and iron' small clusters of men have been consolidated into larger ones until nations have been formed. This process carried on everywhere and always by brute force, has resulted in a history of wrongs upon wrongs; savage tribes have been welded together by savage means. We could not if we tried trace back the acts of unscrupulous violence committed

during these thousands of years; and could we trace them back we could not rectify their evil results. Land-ownership was established during this process . . . The remote forefathers of living Englishmen were robbers who stole the lands of men who were themselves robbers, who behaved in like manner to the robbers who preceded them." *

But while we may be powerless to rectify these evil results of the past reign of "blood and iron," it is not necessary to apologize for them, nor to attempt to build a science upon them. This is the falseness of the present science. It asserts that what ought to be, is; or, as Prof. Cairnes puts it, "political economy is a more or less handsome apology for the present order of things."

Here we see the need of—and what in my judgment is the first requisite before we can hope to establish economics as an exact science—an ideal standard, an absolute economic standard, analogous to that recognized by ethics. Before we can determine whether this or that measure is economically right or wrong, before we can know in what direction our efforts for a better economic system are to be turned, we must have an economic standard from which to judge.

The science of ethics, for instance, recognizes

*Appendix to "Justice."

an ideal standard of right conduct which cannot under present conditions be fully realized.* So with other sciences, ideal conceptions or assumptions of what ought to be, are considered not only allowable but absolutely essential. Political economy, however, is remarkable by an absence of any analogous conceptions. Everything is of the earth, earthy. Indeed, any attempt to conceive an ideal system has been ridiculed and frowned down by economists, philosophers and statesmen, and dubbed with the euphemistic term "Utopia;" and yet it is in this way that other sciences have passed from empiricism to rationalism. Even jurisprudence, that "compilation of the rubrics of legal and official spoliation," has its ultimate ideal standard from which laws have been from time to time referred. Sir Henry Maine, speaking of certain dangers which threatened the development of Roman law, says: "But at any rate they had adequate protection in their theory of natural law. For the natural law of the juris-consults was distinctly conceived by them as a system which ought gradually to absorb civil laws without superceding them, so long as they remained unrepealed. . . . The value and serviceableness of the conception arose from its keeping before the mental

* See chapter on absolute ethics in Data of Ethics.—Spencer.

vision a type of perfect law, and from its inspiring a hope of an indefinite approximation to it." . . . "Even an act of Parliament" says Chief Justice Hobart, "made against natural equity, as to make a man judge in his own case, is void in itself, for *jura naturae sunt immutabilia,* and they are *leges legum.*"

In defining a law of nature, Sir James McIntosh describes it as "a supreme, invariable and uncontrollable rule of conduct to all men. It is the 'Law of Nature' because its general precepts are essentially adapted to promote the happiness of man, . . . because it is discoverable by natural reason, and suitable to our natural constitution, and because its fitness and wisdom are founded on the general nature of human beings and not on any of those temporary and accidental situations in which they may be placed."*

Evidence of the need of a political standard is shown in the attempts made at various times to establish one, such as the Republic of Plato, Moore's Utopia, the theory of Natural Rights of Hobbes and Locke, and of the French school of economists, beginning with Mably and Morelly and culminating in Rosseau. The recent revival of this theory by Henry George and his followers,

*The above quotations will be found in Justice of Spencer's Philosophy.

and the extent to which it has been embraced, is further evidence of the want of some ideal. Let it not be supposed that in advocating the usefulness of political and economic ideals, I endorse the system of à priori speculation and theoretical guesswork, which among the writings of reformers have become so prevalent. Generally speaking, however, in public as well as in private affairs, I believe that almost any ideal is better than no ideal at all.* Still, it should be remembered that an ideal to be of value must possess the elements of truth and be within the bounds of possibility. In the next chapter I shall describe a standard of distribution, deduced from absolutely correct premises, an ideal unquestionably true, and I believe within the bounds of ultimate attainment.

The vast importance of such a standard will be found in solving problems that heretofore have been regarded as unsolvable, in explaining phenomena and clearing away the mysteries and ambiguities with which the problems of life have been enveloped, as well as in furnishing a guide for social progress, and for the material and moral welfare and happiness of mankind.

To sum up then. Consideration of the present

* Men's ideals are invariably better than their acts.—Author.

so-called science of economics from all sides demonstrates that it is not a science at all; its results are not those originally aimed at; in its development its problems have become inverted; it has not arrived at the state of qualitative prevision; it is illogical and ambiguous; and lastly, it is out of harmony with the science of ethics. The cause of this is its fundamental assumptions, which recognize as permanent and as absolutely necessary certain institutions which are the results of centuries of injustice and oppression.

No science of economics is possible based upon injustice. Economics is a necessarily moral science, hence its principles and premises must be just. In championing private interests economists have entirely missed the goal towards which the science should naturally tend, viz., the well-being of society. Economics is not the science for enriching individuals at the expense of society. This, however, appears to be its interpretation in the minds of many. To rebuild scientifically, the first requisite is the establishment of a system evolved, not from the reign of "blood and iron," but from absolute truths derived from experience and observation, and guided by the reasoning faculties. For as Spencer says: "No scientific establishment of relative truths is possible until the absolute truths have been formulated

independently."* Only in this way can economics evolve from empiricism to rationalism, by knowledge of what ought to be, and this presupposes an ideal standard.

At present the science presents its subjects wholly from a capitalistic standpoint. Its vocabulary is entirely capitalistic. It aims at the largest immediate returns for the welfare of one or two classes. Such a system is false in its mission. It is in fact suicidal. It is productive of strikes, riots and panics. It causes periodical destructions of wealth with which, alas, we are only too familiar. To attain to the rank of truth and prevision, we must begin by an investigation of its most fundamental principles. Nothing must be taken for granted. The right to private ownership in land, of governmental monopolies, benefices, grants and privileges, must be subjected to the same discussion and criticism as any other matter of scientific inquiry, and if it be satisfactorily shown that such things are contrary to morality, economists must regard them as contrary to science, and therefore to the best interests of society.

Our present system, as I have shown, starts on a false basis by dividing society into classes whose interests are opposite. A truly scientific system

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* Data of Ethics. Chap. on "Absolute Ethics."—Spencer.

will make society a unit in production and a unit in distribution.

Under a scientific system, ambiguities, vagaries and contradictions will disappear, and with the growth of knowledge and the practice of scientific methods, instead of political expedients, poverty and its partner crime will cease to exist, material and moral wealth will be found finally joined, and the pursuit of the former will be found by the aid of the latter.

Finally, the true science of political economy will teach society how "to produce incessantly, with the least possible amount of labor for each product, the greatest possible variety and quantity of wealth, and to distribute it in such a way as to realize for each individual the greatest amount of physical, moral and intellectual well-being, and for the race the highest perfection and glory."

CHAPTER II.

THE FACTORS OF PRODUCTION.

Although economists treat production and consumption as separate and independent operations, in reality they are merely two steps in one complete process or cycle. The terms are, in fact, correlative. We cannot well think of the production of wealth without having in mind the end for which it is produced, viz., consumption. Similarly, as consumption is impossible without the means, these terms imply each other. Production is made possible only by consumption, which, as far as humanity is concerned, must necessarily precede production. As the means of human subsistence do not arise spontaneously, self-created, physical exertion is obligatory, and by the law of equivalence the power must be provided before the work can be accomplished. Further, continued physical exertion necessitates continued renewal of physical energy.

Everything with which we are familiar that

enters into and goes to maintain human life is strictly limited in quantity. Even the sun, the fountain and source of all earthly life, is limited, and astronomers tell us its heat is being dissipated at an enormously rapid rate; but with the uncontrollable forces of nature economics has nothing to do. No human power can check the sun's dissipation, so far as we know. It is with the material things which we can control, which lend themselves to human desires and purposes, and whose usefulness we have power to dissipate or preserve, that this science is concerned, such as the soil, coal, forests, oil, gas, minerals, fish, game, etc. All these things we have power to preserve or waste, and it is the limited amount of such necessaries that makes it essential for humanity to practice economy. We economise in the use of those things which we are liable to run out of, and it is to perpetuate life that economy is practiced; but now, economy, as I shall presently show, is not necessarily self-denial or abstinence in the sense the term is commonly used. Nothing exhibits to so great a degree the falseness of orthodox political economy as the prevalent idea that the limited quantity of natural agents involves abstinence from consumption. Far from urging *abstinence*, economy dictates *the use* of wealth; for whilst the quantity of the productive agents is actually limited, such as the

soil, we shall find that consumption does not necessitate destruction or exhaustion of these agents; on the contrary, consumption is a necessary part of reproduction, for without consumption production must cease.

It is *useless*, not useful consumption that economy opposes, that is, consumption without reproduction. Nature has shown us in many of her operations her marvelous recuperative powers. In the process of evaporation and rainstorm we have a complete system of production and consumption continually going on; similarly with animal and plant life. Plants owe the carbon and hydrogen of which they are largely composed to the carbonic acid and moisture in the air and earth. Now carbonic acid gas, as is well known, is exhaled by animals through the expenditure of carbon contained in the blood and oxygen from the atmosphere, and this carbon is furnished by the consumption of vegetation. Here we find a continual process of consumption and production, or rather reproduction, being carried on; consumption of vegetation and air, and reproduction of carbon and oxygen in the form of carbonic acid, which is decomposed by the action of the solar rays.

In the formation and combustion of coal and wood we can likewise trace a similar cycle, for the products of combustion emitted to the atmos-

phere go to form trees and plants which furnish both wood and coal—the latter after possibly many thousands of years' imprisonment beneath the earth's surface. Now the knowledge of these laws and operations of nature, the science of economics, teaches us to utilize and imitate. Human life, so far as the consumption of food is concerned, is in all respects similar to the rest of the animal kingdom. The products of consumption of human beings and animals contain the elements necessary to replenish the soil, to enable it to reproduce the means of subsistence;* so that, whilst it is true that the soil is limited, nature discloses a method by which food for the human race may be considered practically limitless. The same is true as regards clothing. Clothing consists of vegetable and animal matter, and the fertilizing agents requisite for reproducing such matter is furnished by the animals themselves; but observe that consumption is here a necessary part of the

* "Thus the matter of life, so far as we know it, breaks up in consequence of that continual death which is the condition of its manifesting vitality, into carbonic acid, water and ammonia, which certainly possess no properties but those of ordinary matter. And out of these same forms of ordinary matter, and from none which are simpler, the vegetable world builds up all the protoplasm which keeps the animal world a-going. Plants are the accumulators of the power which animals distribute and disperse." —Prof. Huxley, "Physical Basis of Life."

process, a necessary step in the process of reproduction.

Consumption therefore, instead of being a luxury to be moderately indulged in, is an essential part of reproduction. *Useful consumption and not abstinence is the motto of a scientific system of economics.* But these processes involve human labor; these various forms of matter which serve to produce life-sustaining material have to be brought together, to be transported from place to place. This work nature depends upon human agency for, and here we can see what part human energy takes in the work of production. "If we examine any case of what is called the action of man upon nature" says John Stuart Mill, "we shall find that the powers of nature, or in other words the properties of matter, do all the work, when once objects are put in the right position. This one operation of putting things into fit places for being acted upon by their own internal forces, and by those residing in other natural objects, is all that man does or can do with matter. He only moves one thing to and from another. He moves a seed into the ground and the natural forces of vegetation produce in succession a root, a stem, leaves, flowers and fruit. He moves an axe through a tree and it falls through the natural forces of gravitation, etc. . . . Labor, then, in the physical world, is always and solely employed

in putting objects in motion; the properties of matter, the laws of nature, do all the rest." *

To the average person the terms production and consumption are synonymous with creation and annihilation, and the way in which economists use them serves to confirm this impression. Thus the creation and destruction of wealth is an every-day expression. But in what does the creation of wealth, or what we term production, consist? Merely the combining, separating, shaping and moving of matter. We do not create matter in the creation of wealth. During the past century's growth of wealth, enormous as it has been, there has not been added to the universe a single particle of matter. Nor do we create force. We can neither create nor annihilate a single atom of matter nor a single unit of force. All we can do is to effect such movement in matter as will cause nature to carry on desirable operations, such as the transformation of one form of energy into another. One of the grandest triumphs of modern science is demonstration of the fact "that forces, unceasingly metamorphosed, are nowhere increased or decreased." If, then, neither force nor matter are consumed, what is meant by consumption? Physically speaking, consumption of wealth consists merely in the metamorphosis of

* "Principles of Political Economy."

force and matter, in altering and effecting new combinations of elements, in changing the forms of things. Economically speaking, it is the consumption of utility. In reality it is labor—human exertion—that is consumed. *

Strictly speaking, we cannot consider wealth consumed unproductively as *economic* consumption. Such consumption is wasteful. As wealth is in reality the product of consumption, all consumption should be carried on in this direction. Practically considered such consumption is, of course, only attainable to a certain degree. Were we able to unlock nature's secrets and learn by what mysterious alchemy the plants take the substances—carbonic acid, water and ammonia—to form protoplasm; if we knew how to crystalize carbon into the diamond; if we could collect all the atoms dissipated in consumption; if we could repeat exactly all of nature's processes, practice might be made to conform to theory, and our ideal economic standard might be realized. Provided always, however, that men were willing to furnish labor sufficient to effect these transformations. And herein lies one of the most important truths of economics, viz., that *wealth consumed without an equivalent being returned by the consumer in the*

* Adam Smith's assertion that "Labor is the ultimate price paid for everything" is in this sense strictly true. For utilities reappear only at the expenditure of labor.

shape of labor—such wealth is wasted, consumed unproductively.

Nature warns society against perpetuating a system that permits a large class to consume wealth without contributing to reproduction. Such a system is contrary to economy. Prof. Cairnes has not failed to see this. He says "A formidable obstacle to economic laws is a body of rich non-producers. It is important on moral, no less than economic grounds, to insist upon this, that no public benefit of any kind arises from the existence of an idle rich class." *

Now although in very many instances we have not yet discovered nature's secrets, science has taught us sufficient to enable us to provide human life incessantly with the commonest necessaries of life,—food, clothing and shelter. With free access to the soil, with a scientific and intelligent system of cultivation, with a proper return to the land of all the human and animal products of consumption, with a scientific use of natural forces, it is quite possible for the human race to exterminate poverty and starvation. As far as the prime essentials for support are concerned, science has already solved the problem, and it is only neces-

* Notwithstanding this admission he holds tenaciously to the system that produces and maintains this class. "By all means," he says, "they must have their rent and interest as it is written in the bond."

sary to bring about those conditions under which wealth is properly distributed in order to arrive at this desirable consummation, for with every life comes the means for its own support, when guided by scientific principles.

What, then, are the teachings of nature regarding this subject of production and consumption? *That wealth produced should be consumed productively, or, rather, it should be a necessary step in the process of reproduction.* In other words, it should, like the phœnix, give birth to the means for its re-appearance, and from the ashes of consumption new wealth should spring. Re-incarnation should govern the material as well as the spiritual world. This is the province of invention and discovery—to show how, from the dry bones, to reproduce life—to reproduce wealth from the products of consumption. In this way the means of subsistence become practically limitless. Instead, then, of regarding nature as niggardly, and her resources as limited, we must see that conformity to, and knowledge of her laws furnishes us with never-ending supplies.

We have seen that wealth consumed productively means its equivalent in labor must be furnished. Here we find, as shown in the first chapter, economics pointing in the same direction as ethics. To eat the bread of idleness is as much opposed to a scientific system of economy

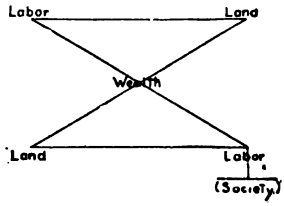
as it is contrary to morality; likewise the duty of finding useful employment, of cultivating industrious habits is as much a socially economic necessity as it is a moral duty. Now, as we have seen, nature furnishes us with an ideal economic system, one in which consumption and reproduction succeed each other in constant, never-failing cycles. Such a system entails no wastefulness and no loss. We have already considered several such processes in the economy of nature, and hence we may safely consider this as an economic standard to which the laws of distribution should conform. When it is said that there is no waste in a perfect economic system, we mean no waste of utility. All life, under the best of economic conditions, is kept up with an expenditure of solar energy,—an expenditure which as before mentioned astronomers tell us is not being renewed.

A perfect economic cycle involves, therefore, two operations, consumption and reproduction. Starting with a limited quantity of wealth, the aim of economics is to utilize this wealth in such way as to not only reproduce it, but if possible increase it, for wealth is capable of enormous increase. *One of the grandest truths economics has taught us in the past, is, that productive labor always produces a surplus; that is, that the wealth produced by labor is more than sufficient to replenish*

or refund the energy consumed in production. Were this not so human life would have ceased long since, for labor has had to support not only itself, but a vast army of non-producers.

Let us now compare the system of production and distribution which orthodox economy recognizes, with our ideal standard.

We shall find it, perhaps, most convenient to do this by means of the following figures:

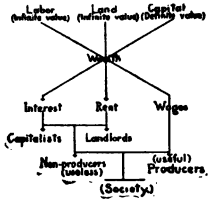


Here, as shown, labor and land are the sole factors in production, and their produce is distributed, or rather *returned*, to the same two factors, which insures the means for reproduction. The land receives it in the shape of manure, fertilizing agents, seeds, plants and whatever is necessary to replenish the soil and maintain as far as possible those natural agents which participate in production. The balance of wealth goes entirely to the other factor, labor.

It will be noticed that the term capital does not appear in this system. Capital, as economists inform us, is wealth devoted to the production of

more wealth; hence, since in our ideal system all wealth is used reproductively, by returning it to the two factors that made it, *all wealth is in this sense capital.* Capital does not figure as an original factor in production, because it is, itself, a product of those factors. In its proper use and consumption it becomes a factor, however, in reproduction, but only so when used and consumed by the two original factors, proving that use and consumption, and not abstinence, is the true principle of economy. In such a cycle there is no loss. It is, economically speaking, perfect.

A representation of the present unscientific, uneconomic system of distribution may be shown as follows:



Orthodox economics recognizes three factors in production: Labor, land and capital; and their produce, wealth, is distributed not solely among these, but among other factors which social laws and customs have hitherto regarded as necessary participators in every economic system of distri-

bution. This subject I have already discussed in the previous chapter. Examination of the illustration shows, however, the result of this unscientific system. By distributing wealth as rent and interest, a large proportion of produce is constantly dissipated; consumed without any equivalent being returned. All that is not devoted to maintaining the three factors, all that does not go to improve labor, land and capital, is wastefully employed, is utilized unproductively, and no true science of economics can possibly countenance such a system, for it tends to the dissipation instead of the conservation of wealth.

Our present system actually taxes itself for its own existence. Thus capital demands interest for allowing itself to perform its natural function in the process of reproduction; likewise rent is demanded when land performs its natural function in production, and these burdens are thrown upon the other original factor, labor. Hence labor is actually punished for performing its duties, for maintaining life and producing happiness. Economy is thus made a hardship and treated as a crime. Orthodox economy is like a wheel whose rotation cannot be effected without putting on the brake! or like that proverbial class of individuals who, by giving them rope enough, hang themselves!

Further, the figure shows us the unscientific

generalizations of orthodox economy. The two original factors of production are, considered in their totality, of infinite value, for, being the source of all wealth, they are the source of capital which is a part of wealth and of definite value. To classify labor and land with wealth is to generalize falsely. It reduces them to the level of their products. It assumes that things which are in reality unlike, are alike. It leads to false results.

Again, this system of distribution leads to results opposed to those which it is the professed aim of the science to achieve, viz., the well-being of society. By distributing wealth as rent, interest and wages, society is at once divided into two classes: of producers and non-producers, whose interests are antagonistic. Instead of society remaining a unit in production and distribution, where all are self-supporting, one part of society feeds off the other part. They become parasites, vermin, whose very existence is unsocial and a menace to society. Nothing is more discouraging than to find political economy, dignified with the name of science, recognizing and supporting a system that leads individuals to regard the miseries of society as stepping stones to their own success; that makes them consider human disasters as blessings from which they can reap rich harvests.

Finally, we can see how inevitable is the con-

flict between labor and capital; how, by our false system of distribution, antagonism is natural — like the similar poles of magnets. In giving to capital, through restrictions and privileges, by force of law, a position above its creator, labor, we are upsetting the natural order and condition of things and attempting the impossible; for capital — as an independent institution, apart from labor and land — has arisen only by an inequitable system of distribution in the past by robbery of the two original factors. It is the thief who, having stolen all a man's necessaries, insults him by offering to lend him some of them on condition that he returns them with a profit. It is in vain that statesmen and economists seek to unite what in the very nature of things are repellent. Capital can only be at one with labor by becoming its subordinate in practice, as it is by nature; by taking its natural part in the cycle of consumption and reproduction; by being employed by labor instead of usurping the position of employer.

Study of these diagrams also shows us the cause of what is known as "over-production." It results entirely from inequitable distribution. By returning all wealth to its creators, "over-production" becomes an impossibility. It is by giving wealth to non-producers that the cycle is broken.

These periods of disturbance, of stagnation in

industry, are entirely the result of an immoral system of distribution, of divergence from the path of morality, and can only be remedied by abandonment of the system and the establishment of one more in conformity to our ideal system.

CHAPTER III.

WEALTH.

The maintenance of human life may be said to depend wholly upon human exertion. The earth, from which man draws his subsistence, furnishes only the raw materials which, though containing the necessary elements of life, are not in a form suitable for his use and consumption. The harvests of wheat, of oats, of potatoes, the various forms of animal and vegetable life which he consumes, are not the spontaneous offerings of nature. Man has had to dig, plough, sow, plant, prune, reap and labor continuously and assiduously, in order that he and his species might continue to live; and this labor is a perpetual legacy entailed upon mankind. So long as man labors, and so long only, can he maintain his right to life. A few days' cessation from toil on the part of the entire human family would suffice to destroy the world's inhabitants. Although by means of machinery labor's hardships are being continually lessened, no discovery has yet been made by which

labor can be wholly dispensed with. From a condition where his entire physical powers were employed in obtaining subsistence, man has gradually raised himself to a point where a portion of society is able to produce sufficient to support, not only themselves, but a large and constantly increasing number of non-producers. In place of labor's produce being barely sufficient for its own support, it now produces a large and increasing surplus. Nevertheless, the laws of nature prevent us from either hoping or expecting that the need for toil will absolutely cease, for the productions of men are destined to perish. Whether it be his food, wearing apparel, works of art, machines, buildings or massive structures, all are doomed to decay, disintegration and final destruction. From the moment of their birth their dissolution sets in. Although some products may stand for many years, everything must in time, sooner or later, perish.

This law of dissolution has therefore entailed upon the human race a perpetual condition of labor, a condition which nothing short of annihilation can rid it of. Labor is, in fact, the supreme condition of life. The original factors in production, as we have seen, are man and nature—nature comprising all that exists outside of man, such as land, water, air, sunshine, natural forces, etc. From the co-operation of these two original

agents arise all that we eat, drink, wear, use, consume and enjoy. These products of man and nature that go to satisfy wants are termed commodities or wealth, a correct definition of which has been the subject of considerable dispute for ages. The importance of a right conception and correct definition of wealth cannot be overestimated, since its economic production and equitable distribution is the aim of political economy, and without a proper conception the whole science becomes perverted. Wealth is the subject-matter of exchange. It is that which the entire human race is in constant pursuit of. It is that which shapes and directs the activities of mankind, that determines the destinies of nations. Consider what this means.

By placing human beings in the same category as commodities, their pursuit and capture was for ages regarded as a legitimate form of wealth production. By making labor a commodity, slavery in a far more extensive and oppressive form has been established.* In the 12th century,

* "Rome abolished slavery, America abolished it and we did it, but only the words were abolished, not the thing. Slavery means, the freeing themselves, by some, of the necessity of labor, for the satisfaction of their needs and the throwing of this labor upon others by means of physical force; and where there is a man who does not labor because another is compelled to work for him, there slavery is. And where, as in all European societies, men

conspicuous for its professions of piety, some very peculiar things were included under this term. A contemporary French writer enumerates among articles of merchandise found in the market of Landit, besides shoes, clothing, agricultural implements, etc., "femmes folles de leurs corps." *

It was the prevalence of false ideas of wealth that brought about the ruin of Spain, and that was the cause of endless destructive wars during the 16th, 17th and 18th centuries. The incalculable evils that the mercantile theory, which made gold and silver the incarnation of wealth, created, economists have already familiarized us with. I shall in this work endeavor to show that a no less error — appalling in its economic results — still exists in the recognition of money as a part of wealth. In defining the term, economists seem to have labored under considerable difficulty, judging from their writings. "To be wealthy," says Mill, "is to have a large stock of useful arti-

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by force exploit the labor of thousands of men and regard it as their prerogative; while the latter submit to force and regard it as their duty, there we have slavery in terrible proportions. Slavery exists. Our moujiks have long known that with the rouble it is possible to deal more painful blows than with the stick; only the political economists cannot see it." — "Essay on Money," by Count Leo Tolstoi.

* Karl Marx, in "Capital."

cles." Water, for instance, is a very useful, an indispensably useful article. One may acquire an inexhaustible stock of it without adding one iota to his wealth. This defidition is evidently indefinite. "Wealth," says Adam Smith, "consists not in the inconsumable riches of money, but in the consumable goods annually reproduced by the labor of society." A much more comprehensive definition, but still incomplete. "To create objects which have any kind of utility, is to create wealth," says Say. A definition requiring another, viz., that of utility, which is given as follows: "To this inherent fitness or capacity of certain things to satisfy the various wants of mankind, I shall take leave to affix the name of Utility." John Ruskin, not a professional economist, but a sincere philosopher, says, "There is no wealth but life. Life, including all its powers of love, of joy, and of admiration. That country is the richest which nourishes the greatest number of noble and happy human beings." Beautiful as this definition is, it does not answer to the description of that which is the subject of exchanges. It is, rather, a description of the end to which the use of wealth should tend. Life is not, economically speaking, wealth, but wealth is that which supports and nourishes life. The most extraordinary definition of wealth occurs in "Progress and Poverty." Mr. Henry George says,

"Only such things can be wealth, the production of which increases, and the destruction of which decreases the aggregate of wealth." It would be difficult to mention anything to which such a definition might not with equal satisfaction be applied. For instance, poverty is that "the production of which increases and the destruction of which decreases the aggregate of" poverty.

The definition which finds most favor with economists, and the one generally employed, is that defining it as having "power in exchange," or "power in purchasing." The ancient, as well as modern writers, made exchangeability the sole test of wealth. "For that," says Ulpian, "is wealth which can be bought and sold." And John Stuart Mill says, "Everything, therefore, forms a part of wealth which has a power of purchasing." The sense of making exchangeability the test is apparent. Human life requires for its maintenance and happiness a variety of products, such as food, clothing, shelter, etc., and in order to maintain life a man must acquire these necessaries, and to acquire them he must produce them directly himself or procure them from others. Under economic conditions labor becomes specialized, and each man is compelled to devote himself solely to the production of but one commodity or a special class of commodities. This specialization or division of labor has been

the greatest factor in the creation of surplus wealth of modern times. Such a division of labor is a system of co-operation by which a producer produces not only for himself, but for other members of society, just as they produce for him. Such a system necessitates, therefore, a plan of distribution or exchange whereby everyone may obtain some of the various products of others in exchange for his own. In order to support himself a man's produce must be exchangeable, i. e., acceptable to others whose produce he needs. Exchangeability is, therefore, a sine quà non of wealth, for it is a contradiction in terms to say that a man is possessed of wealth and not the means for supporting life or procuring subsistence. The possessor of gold or gems would be as poor as a beggar without the power of exchanging them.

Thus Aristotle says: "It is absurd to say that wealth is a thing of such a kind, that a man with plenty of it around him may perish with hunger, like Midas in the fable, who, from his insatiable wish, found everything before him turned into gold." Wealth, however, has usually been defined and treated from the individual rather than the social point of view, to the confusion and detriment of the science. What under our present inequitable conditions is wealth to the individual, is not necessarily wealth to society. Bonds,

taxes, mortgages and judgment notes are a source of wealth to thousands, but not to society. They are rather a source of what Ruskin calls "Illth," in contradistinction to wealth. Lotteries have afforded immense revenues to individuals, but none to the world at large. Exchangeability is, therefore, not the sole test of social wealth, although it is, commercially speaking, of individual wealth.* Under the slave system human beings were made exchangeable, and constituted a large portion of the wealth of their owners. Did the Emancipation Act destroy this wealth? Yes,

* No writer has done so much to expose the weakness of this definition of wealth, and the gross absurdities to which it may logically lead, as Macleod, although this exposure is evidently unperceived by him. He actually shows that by this definition debts—mere promises-to-pay, rights of action-at-law,—form part of a nation's wealth. Whence it follows that successful blackmailing that results in "promises-to-pay," is a form of wealth production, and those laws that create taxation, and so create rights of action by the State against its citizens, create wealth. And since the science of economics is to guide mankind in the production and exchange of wealth, blackmailing and taxation should, from the economic point of view, be encouraged!! See his "Theory of Credit," Vol. I, Chap. I, especially where he endeavors to prove that wealth can be produced from nothing!! (page 50.)

A humorist once undertook to prove by rules of logic that nobody can move; Macleod, not a professional humorist, has undertaken as remarkable a feat!

so far as their owners were concerned; no, as regards the nation. On the contrary, society was admittedly the gainer.* Here, then, we find a

* It is generally conceded that the abolition of slavery has greatly benefited the South by compelling the white population to personally engage in production and in labor that formerly was left to the colored portion of society. Slavery is not and cannot be an economic system of wealth production for any society, for it keeps out of production the most intelligent, and places industry in the hands of those who have no interest in it,—who labor not to improve the method of production, but from compulsion—through fear of punishment. At the same time it can scarcely be doubted that by abolishing personal slavery, and establishing the wage system, a large portion of the laboring people are in a worse condition than they would be as actual slaves. By replacing in the category of wealth persons with their labor, capitalists achieve all they want without the expense and responsibility that slavery involves. When men's persons are owned, their well-being, health and strength are a matter of solicitude on the part of their owners. Not so under wage slavery. It is only their labor that counts. If their labor is poor by reason of sickness or ill health it makes no difference to their employer. He pays only for what he gets and can replace the sick with healthy men at any time. Count Tolstoi, comparing the present condition of the Russian peasants with their condition of serfdom, says: "Before the serfs were emancipated, I could force Vanka to do any kind of a job; and if Vanka refused I sent him to the local judge, who whipped him till he became tractable. At the same time, if I forced Vanka to overwork himself, if I did not give him land and food, the matter was reported to the authorities, and I had to answer the charge.

destruction of private wealth attended by society's gain. Again, a definition that includes the factors with their products, is clearly unscientific. This is what the definition of mere exchangeability does. It includes both man and land, the two prime agents of production. To classify man as wealth, is to degrade him to the level of his works, and such a system ends by making him their slave; and this, political economy has already achieved. It has made of labor a commodity, and since labor cannot exist apart from the laborer, so the one cannot be exploited without the other. The buying and selling of labor is traffic in human beings. It is wealth, or as it is most generally termed, capital, that exploits labor; in other words, since capital is the product

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Now the people are free; but I can force Vanka and Petrushka and Sidorka to do any kind of a job for me, and if one refuses, I give him no money to pay his taxes, and they whip him till he submits; moreover, I can force Germans, Frenchmen, Chinese to work for me, punishing them for disobedience by withholding the money which they need to lease land or buy bread; if I force them to work without food, above their strength, if I kill them with work, nobody will say a word to me; and if, in addition, I am well read in politico-economic books, I may be firmly assured that all men are free, and that money does not conduce to slavery!" "Essay on Money," Tolstoi.

Translated by Victor Yarros.

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of labor, man's works have become his master. He is bought and sold by his own productions. This classification has, in fact, inverted the order of things. Wealth, like the Sabbath, is made for man, and not man for wealth. "Wealth consists of consumable things" says Smith. Man is the consumer, not the thing consumed, yet we find capital employing labor,— that is mankind,— instead of labor employing capital. Again, to categorize land as wealth is likewise unscientific, for wealth consists of definite quantities of things possessing definite qualities, the result of definite human exertions. But land, comprising as it does the soil and all beneath it, even to the earth's centre, is an indefinite, indeterminable quantity of matter of unknown qualities. In fact, it is a factor of indeterminable power and is not the product of human labor. Land in its totality comprises the earth; but the earth stands in no definite value relation to any product. It is, in fact, of indefinite value; or we may say, that since all wealth proceeds from labor and land, since it could not exist but for land, the land is of incalculable, of infinite value. In other words, land is not an economic quantity, and therefore it cannot, scientifically speaking, form a part of wealth. Land is the mother and labor the father of wealth. Other considerations show, too, the impropriety of classifying the factors in pro-

duction with the products themselves. Wealth is created for use and consumption, and the existence of society depends upon its continued and incessant creation, consumption and renewal. Wealth is naturally and inevitably perishable. It is born to die. Reproduction can only continue so long as the factors are operative, hence the safety of society and of the entire human race depends upon keeping them at all times in a condition free and fit for use. To class them with wealth is to class them with consumable things, and with things capable of being destroyed, reproduced or substituted by other things. Whilst man reproduces his species, land cannot be increased beyond the boundaries of the globe. Being incapable of destruction and increase, and not a product of labor, land is not, scientifically speaking, a part of wealth.

By classifying the agents of production with produce, they become the subjects of exchange, and, therefore, of private property. The right of private property is the right to use and to prevent others from using. The Roman law defined property as the right to use and abuse one's own, within the limits of the law: "*jus utendi et abutendi re sua, quatenus juris ratio patitur.*" The power to withhold or limit one of the factors of production from society by individuals, is a continual menace and danger to

its stability. It permits the individual to divert land to uses opposed to social welfare. Under such a system future production is an uncertain quantity, since the extent of the agents devoted to production depends upon the caprice or pleasure of individuals, and by limiting the amount of productive land the number of human producers become also limited. The problem which such a system presents is analogous to that of determining the product of two unknown numbers, or of a known and an unknown factor.

To ensure the most economical production of social wealth, the factors must be unrestricted in production and at all times free for social use. It should also be noticed that land, being as necessary an agent as man, there is no good economical reason why, if one is properly the subject of exchange, the other should not be. If as Mill says, "Moral considerations have nothing to do with political economy" man is as properly an article of merchandise as land; or, to put it in other words, slavery is quite as justifiable as private ownership of the soil. *Wealth, then, as we saw in a previous chapter, consists of those things of human production, the use of which tend to social weal.** And "Illth," to borrow a

* It is a contradiction in terms to classify that as economic wealth which tends to society's destruction. Exchangeability does not determine this. Hence the need

term from John Ruskin, are those productions which tend to social woe. That is the highest form of wealth, the use of which fulfils, to the highest degree, the end for which it is created, viz., the prosperity and happiness of society. These definitions exclude both labor and land from the category of wealth.

It is impossible to specify every commodity that answers to the above definition. Human experience alone can determine, in many instances, what is beneficial to society and what is not. This, however, is no discredit to the definition, for the object of the science is to act as a guide, and furnish a standard, by following which society will grow happier and more prosperous, until the economic goal of civilization—viz., the abolition of poverty—shall have been achieved. Guided by the principles of justice—the only foundation of a true economy—we shall be able rapidly to determine between true and spurious wealth.

The world's experience is already sufficient to enable us to make the requisite distinction to a very great extent. The mere transference of wealth from the pocket of one individual to that of another, for instance, is not wealth-production. Hence gambling, pocket-picking and taxation are

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of a definition of wealth in its absolute or positive sense—in terms of social welfare.

not conducive of social weal. But as mankind becomes more and more enlightened, and as society grows in scientific knowledge, its list of merchandise, of wealth, will be constantly changing. Many things now sought after will be shunned, and when society shall have reached that state in which all its members have full knowledge of, and a desire for those things that promote the general happiness of mankind, exchangeability will be the sole and supreme test of social wealth. Until then, exchangeability will not serve to distinguish between those things that tend to weal, and those that tend to woe. It will be but the test of individual wealth. So far I have endeavored to show the need of a definition of wealth that harmonizes at all times with what must rightly be considered the true aim of a science of political wealth, viz., human well-being. Now to define wealth as that having exchange-power, is to leave the aim of the science an open question.

Instead, then, of being a moral science, a science promoting social weal, economics becomes the science of human caprice. In defining wealth as that which satisfies human desires, it must be taken for granted that human beings desire their own happiness and well-being. Well-being is a positive and known condition, a condition that tends to the maintenance and prolongation of life, and in general, human happiness is promoted by

definite actions, by the use and consumption of certain things. It is not a mere matter of opinion. Bread and meat go to nourish and sustain life, and arsenic and opium to destroy it, irrespective of individual tastes and appetites. The science of ethics recognizes certain lines of conduct as conducive of happiness; certain lines that tend to misery. It presents an ideal standard—certain fixed principles—conformity to which leads to definite results. There is no good reason why, as stated in the preceding chapter, a similar standard and similar fixed rules for guidance should not be adopted by economists. In fact, since men desire their own welfare, without often knowing what conduces thereto, a definition in positive terms seems as essential in regard to wealth as to conduct.

For this reason I have defined wealth in terms of social well-being rather than those of individual desires. The desires of individuals are too often contrary to their own and society's welfare.

To leave wealth in this unsettled state, is to see the science, as we find it to-day, opposing itself. As a practical, a relatively correct test, exchange ability is used conformably with the definition of economists. It is to this standard, however—its true definition in positive terms—that law-makers and social reformers must have regard in all their efforts to better the lot of mankind.

It is toward that end that practice must be constantly directed if society is to be guided by science. Under present conditions, wealth is invariably regarded from the individual standpoint, and political economy, instead of the science by which society becomes enriched, is an egoistical economy, or the science by which the individual may enrich himself at the expense of the community. "There have been and still are," says Ruskin, "many sciences as well as arts of individuals getting rich. Poisoning people of large estates, was one employed largely in the middle ages; adulteration of food of people of small estates, is one employed largely now. The ancient and honorable Highland method of blackmail; the more modern and less honorable system of obtaining goods on credit, and the other variously approved methods of appropriation—which, in major and minor scales of industry, down to the most artistic pocket-picking, we owe to recent genius —all come under the general head of sciences or arts of getting rich."

Notwithstanding the ignorance and error that still pervade our political systems, there are many signs of improvement; and legislators are beginning to perceive that the methods by which some acquire wealth are not conducive to the growth of that of society. Instance the laws against gambling, card-playing, and for the suppression of

the lottery systems. If legislators were consistent, the extension of these laws to include those far more serious forms of gambling, which are reported daily by the press under the title of the "Money Market," in which the stakes consist of vast industrial enterprises, of agricultural products, of mineral wealth, with which thousands of human lives are associated and become indirectly a part of the gambling stakes, would be rapidly made. Having determined what wealth is, in its original and true significance, we must now discuss it from the standpoint of exchange. The branch of political economy known as the science of exchange deals solely with quantities, and we shall find that the terms it employs are all quantitative terms; hence the science becomes, strictly speaking, a mathematical science. In practice, exchangeability is made the sole test of wealth. This excludes all things which nature provides in abundance, and which require no human effort to obtain, such as air, sunshine, water, etc. The term commodities comprises all those things which are properly classed as wealth, a single one or unit of which is a commodity. A commodity presents itself as a definite quantity of something possessing definite qualities. If it be a material thing it is so many pounds, tons, gallons, yards, or bushels of a substance. It is a measurable thing. The qualities of things are

primarily what make them desirable by administering to our comforts; such as the strength of iron, conductivity of copper, transparency of glass, combustibility of coal, etc. It is the qualitity of a thing that makes it useful. Now all commodities are useful things, but all useful things are not exchangeable, hence all useful things are not commodities. In this sense, therefore, utility alone, i. e., ability or capacity to satisfy certain wants, does not make a commodity exchangeable.* A product must first be useful to be exchangeable, but something else is necessary to ensure its exchangeability. This something else, we shall hereafter see, is scarcity or limitation of supply whether limited by nature or artifically. Since the qualities of things are primarily what make them useful, utility is principally confined to the qualitative aspect of things. It is true that when supplied in excessive or minute quantities, certain things which would otherwise be useful, become useless, still our choice of a thing is determined first by its quality. The names by which commodities are known designate their qualities. Thus gold, wheat, wine, wool, are terms that at once convey to us qualitative ideas,

*A glass of water taken from the wayside spring is as grateful as if one had to purchase it. The utility exists apart from and is altogether independent of exchangeability.

and therefore utilities. In speaking of commodities in a general way, we distinguish between them by such qualitative names as above. In speaking of exchangeable commodities, however, we always define them quantitatively, such as *one ton* of iron, *one bushel* of wheat, *one quart* of wine, etc. It is with quantities that the science of exchange deals; it is not concerned with the qualities of things. This forms a separate study. It is the *exchange relationship* of commodities that economics seek to investigate, and this relationship we shall find is purely a relation of quantities. The qualities of things are incommensurable. For instance, what do a coat, a book, and a watch possess in common to render them commensurable? or wheat, iron and gold? How is it possible to find a common denomination for the *qualities* of things? When considered from their quantitative aspect, however, the relationship of commodities finds ready expression. Quantities are expressed numerically, and hence are commensurable. I shall show hereafter, at greater length, that the relationship of exchangeable commodities finds expression in numbers, and numbers only. To sum up then: commodities, when considered objectively, are regarded as definite quantities of things having different qualities; but economics deals with them only in their quantitative aspect. Considered subjectively, exchange-

able commodities are useful things. As useful things they present themselves principally in their qualitative aspects; and as exchangeable things, or things of value, we deal with them from their quantitative standpoint.

Before closing this chapter we must consider one difficulty that will not have escaped the thoughtful student regarding the definition of this term wealth.

The tendency of modern industrial enterprise, of inventions and labor-saving devices, is to cheapen production and vastly increase the quantity of commodities. As Professor Smart says: "Certain goods we have from nature without money and without price, and the incessant effort of the industrial world is in the direction of bringing all goods nearer to that category. Indeed, some of the necessaries of life have already been brought so nearly to that condition, that States and municipalities occasionally pay the small remaining price and distribute them as heaven does the rain."* But now as soon as this goal of economic production has been reached, by the definition of wealth—that having power in exchange—wealth disappears. If manna is rained from heaven, it ceases to be wealth, regardless of the fact that it supports life and economizes

* Introduction to "Theory of Value."

human labor. It is only wealth so long as it is scarce, i. e., so long as it is too limited in quantity to do more than supply the effective demand. Thus economists find themselves face to face with an extraordinary paradox, viz., that the more industry approaches its goal, the more it tends to destroy what is defined as wealth; or, to put it in other words, we grow less wealthy as we increase our substance. It is a well understood fact in commercial circles, that a man may impoverish himself by over-productiveness. The Austrian School of Economics illustrates this phenomenon in their definition and illustration of the term value. Since wealth is always estimated and defined in terms of value, the same illustration will answer for both cases. Professor Smart gives the substance of Wieser's chapter on the paradox of value (*Naturlicher Werth*) in these words:

"Suppose that I have a certain good the employment of which yields me a utility represented by 10, and that I add successively ten similar goods to my stock, the marginal utility at each addition diminishing by one. The value of the stock will stand successively at 10, 18 (9x2), 24 (8x3), 28 (7x4), 30 (6x5), 30 (5x6), 28 (4x7), 24 (3x8), 18 (2x9), 10 (1x10), 0 (0x11). Here, obviously, each added good brings a smaller utility than the last, and at each addition the marginal

utility, and with it the value of the unit of goods, falls. But while the value of the single good thus steadily falls, the value of the whole stock describes a peculiar course: it rises from 10 to 30, and then falls from 30 to zero. This phenomenon of increasing wealth accompanied by decreasing value is a paradox from which we shall not escape so long as we consider value a simple and positive amount."

It will be seen that after a certain point *increase of stock actually leads to a loss of wealth.* This fact is the principal cause of one of the greatest economic disturbances of modern times, viz., the formation of trusts and combines, the object of which is to enhance values by restricting production. The subject which this opens up is too vast to do more than touch upon at this time. I can, therefore, merely point out what in my judgment is largely the interpretation of this paradox.†

In estimating wealth we invariably compute in the monetary units of the country we happen to reside in. Thus we say a man is worth so many thousand, or hundred thousand dollars, although he may possess actually but a few hundred. What we mean is, that if he disposed of his

* "Theory of Value."

† Weiser explains it in the light of the utility theory.

property he could realize this amount of money. Hence we define wealth in terms of the medium of exchange. When, therefore, it is said that increased productiveness often tends to lessen wealth, the expression is used in a purely relative sense and merely in relation to money. It does not mean that society is worse off with an abundance of good things than with a scarcity, but that an abundance tends to cheapen each individual portion of such things, and as their value is determined by their marginal employment, they can be sold only for less money when they are plentiful than when scarce. It will be seen that the disturbing element in this question is money. Thus, if the exchange relations of commodities were expressed in terms of one another, and if all commodities were produced alike and were equally abundant, increase in the quantity of goods would mean a proportional increase in wealth. Money is thus the most important subject with which the industrial world has to deal, and as I shall show, later on, the solution of the paradox we have just considered is dependent upon the scientific solution of the money problem.

It must be remembered that the aim of this science is the production and distribution, not of money, in terms of which we define and estimate wealth, but of goods, of commodities. Under

this definition it is the money power that determines whether the production of certain commodities is the creation of wealth, or not! It is not the ability of a commodity to satisfy *human wants* that makes it at the present day valuable, but ability to satisfy the demand of the money monopolist! Hence this definition of wealth, as power in exchange—meaning power to procure the medium of exchange, money—leads the science still further away from its original pursuit. Instead of aiming at the satisfaction of the wants of human beings and welfare of the human race, it is employed in endeavoring to meet the exorbitant demands and caprices of the few who have money. This it is that creates the distinction between what is known as the "actual" and "effective" demand. This is the reason that the welfare of the masses is dependent upon the "law of diminishing returns of gratification" of the classes. In estimating wealth in terms of a special monopolized commodity—in the production of which free competition is eliminated—its acquisition has become the sole object of commerce, and commodities are produced for this one main purpose. Here, then, the paradox becomes intelligible. It arises through the perversion of money. The satisfaction of human desires, which the science seeks to gratify is attained by production, and products are the result of human

labor and are the objects of exchange. As long as human beings have desires unsatisfied, so long will products that serve to satisfy those desires form a part of real wealth.

With commodities exchanged directly with each other this paradox would not appear. Under a just system of distribution, the law of diminishing returns could come into operation only when the desires of *all* were satisfied, and that would mean the extirpation of poverty and want. Superfluity arises out of inequitable distribution. The paradox that the production of commodities tends at certain points to the lessening of wealth or of values, is the result of measuring wealth by money or by a commodity which is monopolized by a privileged class of society. Hence, when a particular want of this kind becomes satiated, the moneyed class are indifferent to that particular commodity; they refuse to pay any more money for it; its value falls to zero and it ceases to be wealth, notwithstanding that thousands of men who have no money may be dying for the want of this very commodity for which they would willingly give their labor. This evil is entirely due, as we shall presently see, to a monopolized, legally-restricted currency.

CHAPTER IV.

EXCHANGE-BARTER.

In the early stages of civilization the satisfaction of human wants is usually accomplished by exchanging one kind of commodity for another without the intervention of any material medium. Thus, corn is exchanged for cattle, wine for silver, and so on. Such transactions are termed barter. For many ages and among many people the only form of exchange was that of barter, pure and simple. Economists tell us how impossible it would be for commerce to exist without the aid of money. Whilst admitting the great assistance that this intervention is, it must not be forgotten that commerce existed long before money was known. With our modern system of trade, however, the benefits derived from a just monetary system would unquestionably be beyond conception. It must not be supposed, as some writers assert, that absence of the medium of exchange prevents the possibility of satisfactory exchanges. The fact of an exchange taking

place, providing the conditions are free, evidences satisfaction, since this is its natural result. Neither is it true that without a material medium it would be impossible to compute the proportion or ratio in which two different commodities should exchange. This computation of ratios, which will be considered more fully in another chapter, undoubtedly accompanied every act of barter by man in the primitive stage. Products were not exchanged for products without some regard to the cost of production, or difficulty of attainment. Thus we learn that there are African tribes who compute the value of things by a purely ideal system. "They calculate the values of things in a sort of money of account called macutes. They say one thing is worth ten macutes, another fifteen, another twenty. There is no real thing called a macute, it is a conventional unit for the more convenient comparison of things with one another." * It is unnecessary to show the inconvenience that would naturally arise in striving to carry on exchange without the intervention of money. Endless examples are given in the various works treating this subject. A formal expression of a single barter transaction is an equation, as follows:

Commodity A = Commodity B.

* J. S. Mill, "Political Economy."

The sign of equality is generally used in expressing such a transaction, and means "will exchange for," or "exchanges for." A single exchange involves two dissimilar commodities. It constitutes the exchange of one kind of utility for another. Men do not exchange commodities for like, but for unlike commodities. It also involves two persons and therefore two distinct desires, or two distinct classes of desires. Further, since the exchange is brought about by the desires of two persons to acquire each what the other possesses, "an exchange evidently requires a concurrence of two minds." * The cause of barter or exchange may, therefore, be defined as reciprocal desires; and since its object is to satisfy these desires the effect of a complete exchange is reciprocal satisfaction; and as commodities are those products that by their nature or operation satisfy human desires, we may say that *the test of a complete exchange transaction is reciprocal satisfaction.* The importance of this test will be fully realized only when we come to discuss the subject of money.

* Macleod, "Theory of Credit."

CHAPTER V.

VALUE.

"Value is the corner-stone of the Economic edifice."
—PROUDHON.

We have now to consider the most important, ambiguous and perplexing conception with which economics deals, viz., value. When we remember the warfare that has been waged and the vast amount of literature produced on this subject during the past few years, we read with amusement John Stuart Mill's remark, made nearly fifty years ago, that "Happily there is nothing in the laws of value which remains for the present or any future writer to clear up; the theory of the subject is complete." * So far was this statement from the truth, that since it was written an entirely new economic school has been established, founded upon a wholly different conception from that propounded by Mill, and the school of Adam Smith.

It is true, however, as Mill says, that "Almost

* "Principles of Political Economy."

every speculation respecting the economical interests of a society implies something of value, and the smallest error on that subject infects with corresponding error all our other conclusions; and anything vague or misty in our conception of it creates confusion and uncertainty in everything else." * This is doubly true when considered in its relation to the money question. In fact, we might almost say that the solution of this question depends upon the interpretation put upon the word "value." This term is so indissolubly bound up with the word "utility" or usefulness, that we cannot treat one without regard to the other.

Every commodity presents itself to us in two ways. When we think of consuming or enjoying a thing, we have regard to its usefulness. When we contemplate disposing of it, we have in mind what we can get in return for it. This consideration is from the standpoint of its value. We may for convenience imagine every commodity possessing two faces. To the consumer it appears as something useful, something to eat, drink, wear or use. To the seller it appears as an object of value, something to exchange. These two different aspects of goods were noticed by Aristotle more than 2000 years ago.

* "Principles of Political Economy."

"Of everything which we possess" he says, "there are two uses, both belonging to the thing as such, but not in the same manner; for one is the proper and the other the improper or secondary use of it. For example, the shoe is used for wear, and it is used for exchange; both are uses of the shoe." * The connection or relation between these two aspects has been the ground of contention among economists for years. Adam Smith used the word "value" in the two senses, prefixing the words "use" and "exchange" according to its application. He says: "The word value has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called 'value in use,' the other 'value in exchange.' The things which have the greatest value in use, have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange, have frequently little or no value in use. Nothing is more useful than water, but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use, but a very great quantity

* "Politics."

of goods may frequently be had in exchange for it." *

The unfortunate application of the same term to these two aspects of commodities, viz., utility and exchange, is entirely responsible for the great confusion and ambiguity into which this question has been brought. The term use-value is becoming obsolete, and the much better word utility or usefulness has taken its place. Smith employs the word utility in a positive sense. Certain things are known to be absolutely essential for the support of life and are termed the "necessaries" of life. The utilities of such, Smith and his school regarded as inherent properties. Hence, water was regarded as very useful and "yet will purchase scarce anything," whilst a diamond, having scarce any value in use, will purchase a very great quantity of goods. Value and usefulness or utility were therefore considered to be independent qualities. Modern economists employ the term utility in a very much wider sense, viz., capacity to satisfy a desire or serve a purpose, irrespective of the nature of the desire or purpose. Thus, Professor Jevons says: "Anything which an individual is found to desire and to labor for, must be assumed to possess for him utility." So Professor Smart writes: "The eco-

* "Wealth of Nations."

nomic 'want' is not necessarily a rational or healthy want." *

The Austrian school divides value into two parts: subjective or personal value, and objective value. In treating these two divisions, Professor Smart says: "Value in the subjective sense we may call, generally, the importance which a good (commodity) is considered to possess with reference to the well-being of a person. In this sense a good is valuable to me when I consider that my well-being is associated with the possession of it — that it 'avails' for my well-being."

"Value in the objective sense is a relation of power or capacity between one good and another good. In this sense a good has value when it has the power of producing — or "avails" towards — some objective effect. There are, consequently, as many objective values as there are objective effects. Thus while the subjective value of coal to me is the amount of good I get from the fire, its objective value is the temperature which it maintains in the room, or the amount of steam it can raise in the boiler, or the money it brings me if I sell it. This kind of value is very much synonymous with the word "power" or "capacity;" it is as common to

* Introduction to the "Theory of Value."

speak of "heating power" as of "heating value."*

Economics, however, deals not with the "powers" and "values" of objects which are purely physical, such as the power of steam or the heating value of coal. It is merely exchange values and purchasing powers that the science deals with — that is, the social relation of commodities and their relation to the wants and desires of men.

According to this same school, value depends upon utility, and it is the "utility on the margin of economic employment," or what is termed its "marginal utility" that determines the value of a commodity. We may put the matter in this way. The ability of commodities to satisfy human wants and appetites creates a desire on the part of men to possess them. This ability to satisfy wants is termed utility or usefulness. Now the desire for possession prompts men to undergo exertion and make sacrifices, in order to obtain the means for satisfying wants. They are willing to give something, either labor or some commodity, to possess what they want. Now the quantitative relationship which men, in their desire to obtain possession of them, establish among commodities, is termed value.† It is ex-

* Introduction to the "Theory of Value."

† Objective exchange value is all we are now considering.

pressed by the ratio of the quantity of one thing that men are willing to exchange for a given quantity of another thing. Thus, both utility and value are merely relations. They are neither qualities nor properties of things. They are not inherent, but merely "accidents of a thing arising from the fact that someone wants it." * And it is the proportion of the number and degree of urgency of these wants for a thing, to its available supply, that determines its value. In fact, the difference between the useful and the valuable is a quantitative one. When things are abundant, like air, water, sunshine, etc., no matter how necessary they may be to life, value does not appear. Value arises only where things are limited in quantity, that is, among things where economy is necessary.

Economic value is, therefore, purely a quantitive term. "Value," says Le Trosne, "consists in the ratio of exchange, which takes place between such and such a product, between such a quantity of one product and such a quantity of another."

"Hence it is clear," says McLeod, "that value is a ratio."

"Value in exchange expresses nothing but a ratio," says Prof. Jevons, "and the term should

* Prof. Jevons.

not be used in any other sense." And again, "Every act of exchange thus presents itself to us in the form of a ratio between two numbers. The word 'value' is commonly used, and if, at current rates, one ton of copper exchanges for ten tons of bar iron, it is usual to say that the value of copper is ten times that of iron, weight for weight."

The foregoing definitions would be ordinarily sufficient to give the reader a perfectly clear idea of what economists mean by this term. But unfortunately its misuse is so general that one finds it difficult, even after acquiring the correct idea, to avoid its misuse. For instance, how difficult it is to refrain from saying, "this thing has value," or "that object possesses great value." And yet it is very evident that if the definitions above given are correct, *it is wrong to speak of anything possessing or having value.* Prof. Smart says: "But it is almost impossible to use the term without suggesting an inherent property. Value always implies a relation." The economists themselves, after clearly defining the word, often fall into its popular misuse with the inevitable result of mixing up themselves and their readers in inextricable confusion. Take Prof. Jevons, for instance, whose definition has already been given. He says: "But value, like utility, is no intrinsic quality of a thing; it is an extrinsic accident or relation. We should never speak of the value of

a thing at all without having in our minds the other thing in regard to which it is valued." Further on he says: "Bearing in mind that value is only the ratio of quantities exchanged, it is certain that no substance permanently bears exactly the same value relatively to another commodity," etc. In another place he adds: "A student of economics has no hope of ever being clear and correct in his ideas of the science if he thinks of value as at all a *thing* or an *object*, or even as anything which lies in a thing or object. People are thus led to speak of such a nonentity as *intrinsic value*."

In spite of these clear and comprehensive definitions, he says in another chapter: "Since money has to be exchanged for valuable goods *it should itself possess value*, and it must therefore *have utility* as the basis of value." How can a thing possess "an extrinsic accident or relationship?" In the same chapter he says: "It might seem that money does not really require to have substantial value." If value "is an extrinsic accident or relation," what is the meaning of the expression that "Money does not really require to have substantial extrinsic accident or relation?"

Macleod, after defining value as "The ratio in which any two quantities will exchange," says in another part: "The value of anything is always *something* external to itself." But a ratio is the

relation of *two* numbers to each other, it involves *two* quantities. Again he says: "Value is an affection of the mind." Is a ratio an "affection of the mind?"

With such a confusion in the use of terms it is not to be wondered at that this subject has been apparently submerged in hopeless ambiguity. The idea of value in economics arises only in connection with the *quantities* of things. It is expressed in the question, "How much of this commodity must I give for so much of that?" It has, therefore, nothing to do with substances or qualities.*

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* "If a ton of pig-iron exchanges in a market for an ounce of standard gold, neither the iron *is value* nor the gold, nor is there value *in* the iron nor *in* the gold. The notion of value is concerned only in the fact or circumstance of one exchanging for the other. Thus it is scientifically incorrect to say that the value of the ton of iron *is* the ounce of gold; we thus convert value into a concrete thing; and it is of course equally incorrect to say that the value of the ounce of gold is the ton of iron. The more correct and safe expression is, that the value of the ton of iron is equal to the value of the ounce of gold, or that these values are as one to one."—Jevons, "Theory of Political Economy."

[It seems to me that this expression is as incorrect as the other. If value is a ratio, what sense is there in saying that "the ratio of the ton of iron is equal to the ratio of the ounce of gold?" The proper expression would be, the value of iron to gold is one ton to one ounce. It must be remembered that we are dealing here entirely with objective exchange value.] AUTHOR.

It has wholly to do with the quantitative relationship of commodities to each other. Since all commodities are exchangeable in certain proportions, in units of their respective measurements, these proportions or ratios are termed values. Value is a term somewhat analogous to distance. It is a relation between two objects. We cannot say a thing *possesses* distance or equality. A single point cannot express, define or measure distance. Two points are essential to convey the idea. The standard unit of length, for instance, is the distance between certain two points or knobs. Similarly, *value is not expressed or defined by a single thing. Two quantities are necessary to express value, just as two lines are required to express an angle.* "Hence," says Macleod, "a single object cannot have economic value. A single object cannot be equal or distant. If an object is said to be equal or distant, we must ask equal to what? Distant from what? So, if any quantity is said to have value, we must ask value in what? And as it is absurd to speak of absolute or intrinsic equality, or absolute or intrinsic distance, so it is equally absurd to speak of absolute or intrinsic value."

The correct definition of value, as used in the science of exchanges, is, therefore, the exchange relationship existing between two commodities, and it is expressed by the ratio in which the two

quantities exchange. There seems to be the need of a word that expresses the idea we desire to convey when we speak of a thing "having" value. Karl Marx suggested the use of the Saxon word "worth." We frequently say that a thing of value has "worth" or is "worth" so much. The employment of this word avoids the ambiguity arising from the misuse of the term value. The 17th century writers, however, used "worth" for utility.* In this work, I have employed the term "purchasing power" in this sense. A thing has purchasing power when it has power to procure some other thing in exchange. The measure of a commodity's purchasing power is whatever it will exchange for.† Purchasing power and value

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*One great difficulty economists labor under is in striving to carry two distinct ideas under one term, viz., ratio and purchasing power. Whether we define value as a relation of *powers* or of *quantities* it can only be expressed by a *ratio between the two quantities of the commodities exchanged.* Thus, referring to the foot-note on page 117, whilst it is incorrect to say the *value* of one ton of iron is an ounce of gold, it is quite correct to say the *purchasing power* of one ton of iron is an ounce of gold. I have devoted a succeeding chapter to this part of the subject.

†In place of the term value, the word potent might be used to express what we really wish to convey when we say that a thing *is of* value, or *has* value. For instance, we might say that an exchangeable article was potent, or had potency. This term would at least avoid much of

are somewhat analogous to force and distance. A force is measured by what it does, by its effects; likewise with purchasing power. Distance requires two points or objects for its expression. Value requires two quantities for its expression.

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the confusion created by the double meaning given to the term value. It would serve to distinguish between two ideas that are so often confounded, viz., *powers* or *capacities* and the *relation between two different powers or capacities.*

CHAPTER VI.

STANDARD OF VALUE.

After the previous definition of value, the reader will be at a loss to comprehend the meaning of the expression "Standard of value." Value being a relation between two powers or quantities expressed by a ratio between two numbers, what possible connection can there be between the words "standard" and "ratio?" What sense is there in the term "standard ratio?" Let us first see what is popularly understood by the term. Professor Jevons says: "It is essential, in the first place, to decide clearly what we mean by a standard unit of value. This must consist of a fixed quantity of some concrete substance, defined by reference to the units of weight or space." Macleod also says: "Those economists who want an invariable standard of value want to discover and fix upon some single commodity by which they can compare the value of other things in all countries and ages."

Edward Atkinson in a recent article entitled "The Unit of Value in all Trade" says: "The higher law of commerce, laid deep in human nature, has established gold and gold only as the unit or standard of value." And again: "There is a unit of value. It exists without regard to legislation, treaty or agreement. It is gold. To that standard of value the monetary system of every commercial state must be adjusted. A given weight of gold is the standard of value everywhere, etc."* The so-called standard unit of value of this country is a certain weight, viz., 23.21997 grains of gold contained in a dollar.

A standard of value, as understood and defined, is, therefore, essentially a material substance. Now we have already seen that value is a relation between two powers or a ratio between two numbers, and is therefore immaterial. We have seen also that value is not the *property* of anything. How, then, can a "fixed quantity of some concrete substance" be a standard or measure of the immaterial? Professor Bowen very properly remarks that "a measure must be homogeneous with the thing measured." In order to be consistent in his advocacy of a standard of value, he is forced to assume that value is a natural property of things. He says: "As that which

* "Engineering Magazine."

measures length or capacity, so that which measures value *must have value* in itself, or *instrinsic value.*" It must follow, as the night the day, that since value is an "accidental relationship between two things," and is not the property of any thing, *no single thing can be a standard of value.*

A difference should here be noted between the terms "standard" and "measure." The two are frequently used synonymously. A standard is something fixed, invariable, established by law or custom. A standard of measurement is necessarily a measure, but a measure is not necessarily a standard. There may be many measures, but there can only be one standard. Several writers acknowledge the impossibility of the existence of a standard, but recognize the existence of a measure of value. Thus Macleod says: "But though a standard of value is impossible by the very nature of things, there may be a measure of values."*

What has been said relative to the absurdity of the term "standard of value" applies with equal force against a "measure" of value, if by measure is meant "a fixed quantity of a certain concrete substance." Gold is no more a *measure* of values than it is a *standard* of values. Gold is not homogeneous with that which it is said to measure,

* "Theory of Credit."

The unit weight of gold can measure other quantities of gold, but it cannot measure iron, or silver or wheat, or any other commodity. Again, Professor Jevons states that the value of gold fell 46%, between 1789 and 1809; that from 1809 to 1849 it appreciated 145%, while between 1849 and 1874 it fell again at least 20%. To talk of a standard, subject to such fluctuations, is the height of absurdity. "So palpable is this objection" writes Francis A. Walker, "that some writers, who still cling to the term 'measure of value,' abandon that of a standard of value." And again he says: "Value is a relation and, therefore, cannot be measured, but only expressed or stated."*

Macleod says: "It is as well to explain what these economists mean who are searching for an invariable standard of value. If we had a British yard and any foreign measures of length before us, we could at once perceive the difference between them; and if we were told the measurement of any foreign buildings, however remote in age and country, we could, by a very simple calculation, reduce them to the standard British measurement, and compare them with the size of our own buildings. Those economists who want an invariable standard of value, want to discover and fix upon some single commodity by which they can com-

* "Money, Trade and Industry."

pare the value of other things in all countries and ages."

"But the least reflection will show that such a standard is absolutely impossible by the very nature of things. . . . If a quantity of gold were placed beside a number of other things, no human sense could discern what their value would be. And the most violent changes in their values might take place in the market without there being any visible sign of such a thing."

"Values are not perceptible by ocular demonstration, but they must be declared by the communication of minds. Moreover, it is not possible to ascertain the different values of different quantities of gold obtained in different ages and countries." . . . "The only test of value is an exchange, and unless we can effect an exchange there can be no value. How can we exchange an ounce of gold in the year A. D. 188 with one in the year A. D. 1588, or with one in the year A. D. 1888?" *

Bailey also says: "Value is a relation between *contemporary* commodities, because such only admit of being exchanged with each other; and if we compare the value of a commodity at one time with its value at another, it is only a comparison of the relation in which it stood at these different

* "Theory of Credit."

times, to some other commodity. It is not a comparison of some intrinsic, independent quality at one period with the same quality of another period, but a *comparison of ratios*, or a comparison of the relative quantities in which commodities exchanged for each other at two different epochs. . . . It is impossible for a direct ratio of value to exist between A in 100 and A in 1800, just as it is impossible for the relation of distance to exist between the sun at the former period and the sun at a latter period." *

Macleod further observes: "An invariable standard of value . . . is in itself absolutely impossible by the very nature of things. Because value is a ratio, and a single quantity cannot be the measure of a ratio. A measure of length or capacity is a single quantity, and measures other single quantities such as different lengths, or bodies of capacity. But value is a ratio, and it is impossible in the nature of things that a single quantity can measure a ratio. It is impossible to say that a : b : : x. It is manifestly absurd to say that 4 : 5 : : 8 : without saying as 8 is to what, just as it is absurd to say that a horse gallops at the rate of twenty miles without saying in what time."

But the question may be asked, "How do you

* "Theory of Credit," Macleod.

account for the universal credence given to that denoted by the term 'standard of value?'" The answer, Macleod thinks, is to be found in the cause that gave rise to the use of the unfortunate term "intrinsic value," viz., a belief that value is a property or quality of commodities. It is, he says, owing to the general acceptance of the erroneous doctrine that labor is the cause of value, and that the value of a thing is, therefore, the quantity of labor *contained in it*, or exerted in obtaining it. To quote once more: "That unfortunate confusion of ideas between value being the quantity of another commodity which any quantity will purchase, and the quantity of labor embodied as it were in the commodity itself, which is chiefly due to Smith and Ricardo, has not only led to that mischievous expression 'intrinsic value,' the source of endless confusion in economics, but also to the search for something which very slight reflection would have shown to be impossible in the very nature of things, viz., an invariable standard of value."* *A commodity, when considered alone and apart from all others, gives no idea of value, nor can any conception of value arise until it is confronted with another com-*

* "Theory of Credit." [Whilst this may partially explain the use of the term, I think it is due still more to its recognition by governments, and their malevolent influence over the currency.—AUTHOR.]

modity; just as a point in space can convey no idea of distance until a second point is taken. And just as distance is expressed between two given points, so value is expressed by the relation between two commodities. To place a given quantity or weight of a certain commodity at Washington or London under lock and key, and declare that to be *a standard of value*, is like marking a point on paper and declaring that to be the standard unit of length. Two points determine the unit of length, viz., the two ends of a certain rod or yard stick, and if any sense is to be made of the term "standard of value," it can only be expressed by two quantities. Gold may, in a certain sense, be termed a standard commodity, i. e., a commodity to which others are compared, just as a point on the earth's surface may be termed a standard of position from which to measure distances.

Now since there can in reality be no such thing as a standard of value, and since a relationship exists among commodities, the question arises in what way is this relationship shown, defined and expressed? I have said that the arguments used to prove the absurdity of a "standard of value" apply with equal force against the term "measure of value," if by measure is meant "a fixed quantity of a certain concrete substance." No substance can "measure" values.

The fact that we compare all commodities to

one, viz., gold, does not constitute gold a "measure" of values, any more than if all yard sticks were made of ebony, ebony would become the measure of length. Let us look at this matter closely. Commodities present themselves to us under two aspects — of quality and quantity. The primary distinction between commodities is a qualitative one, such as the material of which they are composed, iron, wood, wheat, gold, etc., or their shapes or forms, such as tables and chairs; or their physical properties, such as glass, sugar, salt, etc.

Now it is these various properties possessed by commodities that make them useful to mankind and serve to create in the minds of men a desire to possess them. It is physically impossible to bring the *properties* of things to the terms of one denomination. No common denominator for the physical qualities of things has yet been discovered. Whatever the relationship among commodities may be, it is impossible to express it in terms of their qualities. Gold is a qualitative term, designating a certain substance possessing certain characteristics. No relationship of dissimilar commodities can, therefore, be expressed in terms of gold. Values being relations or ratios, cannot be expressed by any substance. But commodities are also definite *quantities* of things, and it is with these quantities that the science of

economics deals. It treats of the laws which govern the relations of exchangeable *quantities*, and has nothing whatever to do with the *qualities* of things. These furnish matter for a separate and special study entirely apart from economics.

Now, whilst no meaning can be attached to such an expression as silver=gold, by affixing definite quantities before each term the equation becomes perfectly intelligible, thus: 20 oz. silver=1 oz. gold. The value relationship is expressed by the numbers 20 and 1, thus 1 oz. of gold is to 1 oz. of silver as 20 is to 1.

Or again. Consider the expression 15 bushels of wheat=2 yards of silk. The value relationship is expressed by the numbers 15 and 2, thus 1 bushel of wheat is to 1 yard of silk as 2 is to 15. *The only form of expression for the relationship between commodities is that of two or more numbers representing exchangeable quantities in terms of their respective units.* It will be noticed that each commodity is designated by three terms: *first*, SUBSTANCES, as wheat, silk; *second*, the UNITS OF QUANTITY, as bushel, yard; and *thirdly*, THE NUMBERS of such units as 15, 2. The only term common to both is that of number. No relationship is expressible in terms of the substance, wheat or silk, nor in such dissimilar units of measurement as bushels and yards. *Therefore the only language in which commodities can give*

expression to their social relationship is that of numbers. Suppose, for instance, the following commodities to exchange in these proportions:

Five pounds butter = three bushels wheat; one coat = twelve bushels wheat; two pairs shoes = one coat; three and one-half gallons whiskey = one pair shoes; one cow = sixty bushels wheat; fifty ounces silver = one cow; and one ounce gold = twenty ounces silver.

We can readily express their relationship numerically by putting them all on an equality.

In order to avoid dealing with the fractional value of one cow, we will make them all its equivalent. From the exchange values above given we may conveniently tabulate the commodities as follows:—

Butter in lbs.	Wheat in bush.	Coats	Whiskey in gals.	Cows	Silver in oz.	Gold in oz.	Shoes in pairs.
100	60	5	35	1	50	2½	10

The common language through which butter, wheat, coats, shoes, etc., express to us their relationship, is by the numbers 100, 60, 5, etc. The number of pounds of butter of equal value to bushels of wheat, is expressed by these numbers directly, thus, 100:60; whilst the value of butter in pounds in terms of wheat in bushels is

inversely as the numbers, thus 60 : 100, and so on with the remaining commodities. The relation of butter to whiskey as 35 : 100; of cows to gold in ounces as $2\frac{1}{2}$: 1, etc. *This is the only expression of values possible.*

But it may be argued that since the above commodities are all of equal exchange value, they may all be expressed in terms of one. Thus:—

100 lbs. butter,
60 bush. wheat,
5 coats,
10 pairs shoes, etc.,
} = 2½ oz. gold.

This is said by economists to be bringing commodities to their money form. Gold is thus said to be the *money form* of commodities. In this way it is argued that gold becomes a measure of value because all commodities can be equated into definite quantities of gold, and the standard unit of gold is a standard with which to measure these quantities. John Stuart Mill says: "We may define a measure of value to be something by comparing with which any two other things, we may infer their relation to one another." (Pol. Ec.)

Let us suppose that we desire to find the exchange relation between horses and mules. In order to make this comparison we are supposed to know the value of each in terms of gold. (By the

way, economists do not explain why it is easier to ascertain the value of a commodity in gold than in terms of any other commodity. For instance, why cannot the exchange relation between horses and mules be discovered at once in place of comparing both to gold? Is the transmutation of mules into gold a simpler operation than the transformation of mules into horses?)

Suppose one horse exchanged for ten ounces of gold, and one mule for one ounce of gold; then the value of horses to mules is as ten to one. *It is, therefore, not the gold that expresses the value,* BUT THE RATIO OF THE NUMBERS OF OUNCES. In other words, it is the relation of the two *quantities* irrespective of the *substance.** The value of horses in terms of mules can never be determined by bringing a unit quantity of gold near them. It is obvious that the function here served by gold can be served by anything else, providing it is exchangeable. Thus, in place of ten ounces of gold, we might write three hundred bushels of wheat, and in place of one ounce gold, thirty bushels. The value of horses to mules is then expressed, not in terms of wheat, but by the numbers 300 : 30. This selection of one com-

* "But the theory of money has proved that, far from being the measure of values, specie is only their arithmetic, and a conventional arithmetic at that."—System of Economic Contradictions.—PROUDHON.

modity to which all others are compared, may constitute that one, in a certain sense *a standard commodity*, but it can never be either *a standard or a measure of values*. For instance, if our knowledge is confined to the relationship of gold to mules, we are as far from knowing the relation of mules to horses as ever. Let us put the matter into the form of a simple problem. Given a horse, a mule and a definite quantity of gold. It is required to find the value of horses in terms of mules. It is safe to say that no economist has yet been discovered capable of solving this problem.

A standard of measurement that fails to measure is a phenomenon that science is incapable of recognizing. The use of a commodity such as gold, is convenient merely in prizing and arranging other commodities one above another *at a particular time*. But this does not constitute gold a standard of value. *It is merely a standard commodity at the time at which the prizing or arranging was made.* No commoditiy can continue to act as a standard commodity for long without disorganizing from time to time the entire range of prices, since no commodity is or can be itself free from fluctuations. Hence a comparison of prices at two different periods gives no indication whether the commodity—in terms of which prices are expressed—has fluctuated, or the commodities whose prices are compared.

Gold is recognized as a standard because it is supposed to be more stable than other commodities. But as we have seen, gold fluctuates considerably in common with all other articles of merchandise. The mistake that economists have made, is in supposing that the commodity which was conveniently selected for comparing at a *particular time* all others, is a *perpetual standard* at *all times* and places. What was originally required of a standard commodity was to enable society to express values numerically by comparing all others with a particular one. Thus, when it was found that commodities would exchange for certain weights of gold, it was extremely easy and convenient to express the values of commodities, and range them one above another, *using gold merely as their arithmetic.* But having once accomplished this, gold became no longer necessary. The language of commodities was created as soon as their relationship was ascertained in terms of the quantities (either by weight or volume) of any one commodity, whether gold, silver, wheat, or what not; and if from that instant prices had been reckoned *without retaining the standard commodity for successive comparisons and valuations*, we should have had an absolute method by which the variations in the prices of each and every commodity would have been correctly registered, including the variations in the standard commodity itself.

A commodity can only be considered as a standard at one particular instant. Between this hour and the next, a change in its supply or demand may occur, and consequently its relation to all others, or in other words, its value, changes. An illustration will serve to make this clearer. Imagine a number of balloons moving upward and forward, the motions of each being irregular, so that their relative positions are constantly changing. If we desire to trace the respective movements of each, we must do so from some fixed point on the earth's surface. If we attempt to describe such movements from a moving standpoint—a railroad car for instance—it would be impossible to do so with any degree of accuracy; and if we were in one of the balloons and made this the standard of position, we should be doing practically what the commercial world is now doing, in tying money to a particular commodity. We should be unable to determine whether our balloon was advancing, or another receding.

It has been thought by many that a fixed standard of comparison which will not be subjected to the slightest variations is impossible. Gold having been selected, economists imagined that the evils of a fluctuating currency were reduced to the lowest possible point by adopting that commodity which was least subjected to variations of any; but the mistake, as I have said, was in supposing

it was necessary to have a *commodity that should be per se at all times a standard.*

Any commodity may be used for arranging prices at any particular time, so long as its exchange relations with all others is known. *An absolute invariable unit, in terms of which prices may be ranged, can be obtained by prizing commodities in terms of some particular one at a certain time and never afterwards.* For instance, if gold was taken as the standard commodity on December 31, 1894, and the so-called "standard of value" immediately abolished, the values of commodities would all be expressed in numbers which represented so many grains of gold *on that particular day.* No matter how gold might fluctuate thereafter, it could not possibly affect the prices of other commodities. Its own fluctuations would be registered in money based upon such a system.

It must not be forgotten that this use of a commodity, to arrange the scale and values of commodities, does not constitute that commodity in any sense a "standard of value," since as we have seen, value is an abstract relation. All that such a commodity can do is to assist us in ascertaining the relation of commodities by becoming a standard of comparison. When once these relations are ascertained and expressed it is no longer a standard. This subject will be more fully treated further on.

The question at issue with the advocates of a "standard of value," may be thus stated: "Is value the property or quality of commodities or is it merely an abstract relation between them? If the former, gold may rightly be considered a "standard of value." If it be true—as all economists assert—that value is merely a relation between exchangeable things, then it can be expressed only in terms of the abstract, viz., numbers.

To sum up, then, a standard measure of values is a physical impossibility. First, because values, like ratios, are only capable of expression, not of measurement. Second, because value can only be expressed by *two* quantities. A single quantity is, therefore, incapable of expressing the relation. Third, value being the exchange relation between commodities, and this relation being a *quantitative* one, values can only be expressed by *numbers*, and not by *substances*. It is, therefore, physically impossible for a "standard of value" to exist, and the term is seen to be just as absurd and meaningless as "the standard of equality" would be.

CHAPTER VII.

PURCHASING POWER.

The terms value and purchasing power have hitherto been used synonymously, much to the confusion of the science, notwithstanding the fact that they embrace wholly different conceptions. Value is the relationship existing between two exchangeable commodities, and is expressed by a simple ratio of two numbers or quantities. Purchasing power is the power of a commodity in exchange, and is expressed by a *single number* or quantity. Value can be expressed *only* by two numbers or quantities; purchasing power is expressed by one. Value cannot be measured; purchasing power can be. There cannot be an invariable unit of value; there can be an invariable unit of purchasing power. Nothing *possesses* value, but all commodities may be said to have purchasing power. A man's credit is his purchasing power; we do not speak of it as his value.

We may trace an analogy between purchasing power and potential as used in mechanics. A

body is said to have potential energy when it is placed above other objects, i. e., it has potential power with regard to any object or point below it. A stone thrown upwards gradually loses its initial energy imparted to it by the force that projected it upwards; but this actual energy is gradually converted into potential energy, the latter increasing with the loss of the former until the initial energy is transformed wholly into potential, at its highest point. Thus potential energy is advantage of position. Now in the commercial world commodities occupy different relations to each other, relations which they are constantly changing. Commodities are continually rising and falling in price, changes which are analogous to change of altitude in mechanics. With every fall there is a loss, and with every rise a gain in purchasing power, just as with a falling or rising body its potential energy diminishes and increases. Purchasing power, unlike value, is capable of expression in units, which may be any number arbitrarily selected. Value, on the other hand, corresponds to distance, which is expressed by the relative positions of the two bodies.

Unit of Purchasing Power.

Referring to the illustration on page 131, I showed how the exchange relationship of com-

modities received definite expression by ratios. These relations are expressed as follows :—

Butter in lbs.	Wheat in bush.	Coats.	Shoes in pairs.	Whiskey in gals.	Cows	Silver in oz.	Gold in oz.
100	60	5	10	35	1	50	2½

The relation of one pound of butter to one bushel of wheat is expressed by 60 : 100 or 3 : 5.

Now in order to find the purchasing power of each of these commodities, it will be convenient to find their least common multiple, and then range them according to their powers. This multiple is 5250. Dividing this by each number, we obtain the following results :—

Butter in lbs.	Wheat in bush.	Coats.	Shoes in pairs.	Whiskey in gals.	Cows	Silver in oz.	Gold in oz.
52.5	87.5	1050	525	150	5250	105	2100

These numbers represent the proportion in which the purchasing powers of the above commodities stand to each other, and we may conveniently suppose each number to represent the number of units of purchasing power which is contained in each unit of quantity of the different commodities. Thus, supposing one pound of but-

ter to contain 52½ units of purchasing power, then one bushel of wheat will contain 87½ units, one coat 1050 units, one cow 5250 units, and so on. *Units thus selected are invariable; they are expressions of a power which, whilst it fluctuates in each and every commodity in quantity, has no variable degree of intensity.* For instance, if the demand for butter should decrease one-half, its purchasing power might decline to an equal extent. Its purchasing power would probably fall to below 30. *But whilst it lost in number of units, the units themselves remain invariable. A unit of this nature is, therefore, an invariable unit and measure of purchasing power.* Now all commodities at any given time and place stand in some definite relation to each other, i. e., have certain amounts of purchasing power which is capable of numerical expression similar to the above example. In other words, *all commodities are of equal value when taken in certain proportions.* The market reports give these exchange relations, and indicate their fluctuations from day to day.

Now it is only necessary to tabulate commodities as I have done above, *commencing at any given time and place,* and bring the numbers that indicate their exchange relationship to a common multiple. I am aware that this method involves the use of a very great number of figures, where the commodities are numerous,

and vary in purchasing power. This difficulty is overcome, however, by the decimal monetary system. In fact, the exchange relations of commodities are now expressed daily by the market reports. *All that is requisite to bring our present system to a scientific basis is to abolish that commercial fiction known as the standard of value, and convert the specie basis into a universal commodity basis.* With the abolition of the specie basis and the standard of value, commodities would stand upon their own foundation, and be freed from the mischievous and irritating disturbances that those unscientific institutions are perpetually creating.

CHAPTER VIII.

MONEY.

"Money, the only power that all mankind falls down before."—BUTLER'S "*Hudibras*."

Whenever we are brought into a discussion of the money question, we are confronted with one great obstacle—a superstition—which has become strongly intrenched in the popular mind, what may be termed the fetichism of gold and silver. So accustomed are we to associate things with their functions, there finally grows in our minds the idea of a personality belonging to the object itself, and we unconsciously ascribe to it human qualities and tendencies. Thus we hear daily the expressions "good money," "bad money," an "honest" and a "dishonest" dollar. Gold is called "cowardly," and is said to "refuse" to circulate, and the very acme of fetichism is contained in the expression "money talks."

While at first these expressions and ideas are merely figurative, after a while, especially among the ignorant, the idea engenders belief and super-

stition. Travelers tell us how difficult it is to get the minds of those who practice idol-worship to distinguish between objects and their functions. It is precisely this superstition which renders the money question so difficult of comprehension by the average man. Accustomed all his life to handle coins, which perform the money function, the coins are to him money itself, just as to an engineer the idea of force is contained in the conception of a steam engine. To him the engine becomes synonymous with the invisible force, instead of the instrument through which force is manifested. To thoroughly comprehend the idea of money, we must separate entirely in our minds the material through which or by which money is expressed, and money itself.

The money question is the practical side of the value question, and it remains to be seen whether the theory of value, as propounded in the foregoing part of this work, admits of practical application or not. In science, theory and practice must always agree, and where this is the case, the results of such practice must be those sought after. Where the results of a financial or commercial policy differ from those aimed at and desired (which, under our present system, is generally the case), we may be sure that the policy is not in harmony with the science, and that it is based upon unscientific principles. The

present monetary systems of the world may be briefly described as follows:

In order to facilitate the exchange of goods, one commodity is selected as a standard to which all others are compared, and the values of all are expressed in terms of this one. Gold is the standard commodity selected by the civilzed world and is the basis of all or nearly all the world's monetary systems. Money is, therefore, defined as a commodity, and is said to perform the functions of (1) a medium of exchange; (2) a common measure of value; (3) a standard of value; and (4) a standard of deferred payments. The advantage of money as thus constituted, is stated to consist in avoiding the inconveniences of barter, viz., "the improbability of coincidence between persons wanting and persons possessing; the complexity of exchanges, which are not made in terms of one single substance; and the need of some means of dividing and distributing valuable articles."* Money is said to overcome these difficulties by acting as a common denominator of values.

Innumerable discussions have taken place regarding the true nature and functions of money, but nearly all our modern economists agree in regarding money as a commodity. Now I have

* Prof. Jevons.

already shown that there is no such thing as a standard or measure of values, that the very terms involve an absurdity, and that their existence is impossible by the very nature of things. Money is, therefore, not a standard nor a common measure of values, and it will be unnecessary to deal further with these two so-called functions. We will now investigate the true origin, nature and functions of money, and then endeavor to solve the problem as to whether a commodity can perform the functions of money. The origin of money can be traced to the inconveniences which the system of barter gave rise to. These inconveniences arose from the very nature of the things exchanged, viz., a want of divisibility. Were all commodities easily and alike capable of division and sub-division, they might be exchanged in any and every proportion. The difficulty of making all commodities proportionally exchangeable gave rise to the need of a means of reckoning and expressing these exchange proportions.

Thus, if a horse dealer desired fifty bushels of corn, and the corn merchant wanted a horse, an attempt to barter a horse for corn would be made. The dealer considers, and the merchant agrees that the horse is worth 200 bushels. Thus, 1 horse = 200 bushels of corn. Now, since it is impossible to divide a horse and still utilize his

services, if the exchange takes place the horse dealer has 150 bushels of corn that he has no use for. If he takes but fifty bushels, the merchant owes him 150 bushels or its equivalent.

There at once arises a debt, and from this inequality in exchange originates the need for money. Now we have already seen, in discussing the subject of value, that the proportional relation in which commodities exchange with each other is termed their value. Hence, a system that is to avoid the inconvenience attending barter must be to *express values.* I have shown that values are only capable of numerical expression. *A monetary system must, therefore, be a numerical system.*

Let us, in thought, transport ourselves to an age and place where material money is unknown. The business and commerce of such a place will consist of the direct exchange of various products necessary to life and happiness. A farmer will send his corn to market and barter it in various amounts for the different things he may need. So the sheep-grazer will barter his sheep with the vintner for wine, the weaver his cloth with the hunter for game, and so on.

But certain inconveniences arise. Occasionally the farmer, who needs wine, finds the vintner is not in need of corn, and as corn is all he has to pay with he is at a loss to know what to do. The farm-laborer who engages with the farmer on the

basis of receiving a certain percentage of the crops for his labor, finds himself in need of boots, clothes and various other things. He cannot always exchange his corn directly for what he needs. The physician who has served the sheep-grazer does not care for mutton, hence sheep are not desirable to him. How will the sheep-grazer repay the physician? Again, the carpenter who has built a house for the vintner, finds that if he accepts wine in return for the house he will have enough to last him 200 years, should he live so long. As he cannot live wholly on wine, he does not wish to accept payment solely in that commodity.

Here the necessity arises for some plan or system by which the industry and commerce of the community can be carried on without these difficulties arising. The community is in need of an inventor, with brains enough to devise a means for overcoming these inconveniences. Two plans may be suggested. The one which has been most generally adopted we will describe first. "In process of time," says Macleod,* "all nations hit upon this plan: they fixed upon a certain material substance which they agreed to make always exchangeable among themselves, to represent the amount of debt."

* "Theory of Credit."

The substance selected was one which Professor Jevons says, "seems designed by nature for the very purpose," viz., gold. "Since it can be melted, divided and sub-divided, is homogeneous, portable, cognizable, indestructible and stable, it appears the most appropriate substance for this purpose."

The various merchants, farmers, sheep-raisers, etc., would, therefore, have to go to the goldsmith and arrange with him as best they may for a supply of gold pieces. Having first agreed among themselves to accept these pieces in exchange for their several products in certain ratios, the business of the community would at once proceed, and obstacles previously encountered would be removed—*providing always that these traders had power at all times to command gold with their commodities.* Failure on the part of the goldsmith to part with any more pieces, would simply throw the community back into its original barbaric state. Were the inventor of such a scheme a nineteenth century operator, he would, prior to propounding such a plan for facilitating exchange, proceed to get control of all the gold and gold mines of the community. He would then persuade the government of the community to pass a law making gold the legal tender, and fixing as an arbitrary standard of value a certain weight of gold. Having

accomplished these things, he could safely consider himself as rich "beyond the dreams of avarice." Having safely established the system for facilitating exchange, and assisted the community, by loaning them gold, he need only close his mines and hoard his treasure, in order to shortly have a substantial portion of the wealth of our imaginary society fall under his control. *By controlling the medium of exchange, he would control the entire commerce of the community.*

Now, whilst the use of this substance, gold, would (so long as the gold merchants permitted it) facilitate exchange and avoid the complications before pictured, *the system would still be a system of barter.* The exchange of corn for gold is as much barter as if exchanged for wine or anything else. It is the exchange of one product directly for another. *There is here no appearance or conception of money.* Let us now suppose that gold and silver and precious metals were unknown to our imaginary community. The inventor hits upon this plan. He first finds the proportion in which all the various products stand to each other. Thus, he finds that the farmer and vintner exchange one bushel of corn for one gallon of wine; the sheep-raiser and farmer, one sheep for twenty bushels of corn; the weaver and vintner, one yard of cloth for two gallons of wine, and so

on. He then tabulates all commodities in their exchange relations, thus :—

Bushels of Corn	Gallons of Wine	Number of Sheep	Yards of Cloth
20	20	1	10

That is, twenty bushels of corn exchange for twenty gallons of wine, or one sheep, or ten yards of cloth. Arranging all commodities from the least to the most valuable, their exchange relations are thus expressed by their respective quantities. By dividing their least common multiple by each number respectively, we find their value relation. Thus :—

20					Corn	Wine	Sheep	Cloth
20	20	1	10	=	1	1	20	2
Corn	Wine	Sheep	Cloth					

By taking the integer one as a unit, commodities can be ranged one above another, thus: One bushel of corn would be equivalent to one unit of purchasing power, and one sheep to twenty units, and so on, *at this particular time and place.*

Taking this unit to represent a unit of purchasing power, our inventor would suggest the printing on pieces of durable paper of convenient size, single units and multiples of units representing such purchasing power.

Such notes might be issued under the authority of the government of the community, or each merchant might issue his own. Thus, in the case

of the farmer and his assistant, instead of giving him, say ten per cent of his crops, or perhaps one thousand bushels of corn for his services, he would, by consulting his table or market report (which would be published daily as now, giving the fluctuations in the various commodities) find corn marked, say ten units of purchasing power per bushel, and then pay him notes to the extent of ten thousand units. Similarly the sheep-raiser would give the physician notes to the extent of thirty or forty units, and so on. If the community be a small one and each member agrees to accept the notes of another, such notes can be issued individually; otherwise the community collectively would issue them. *Here we have the true and scientific form of money.* In the first case, as we saw, money does not exist. It is merely the bartering of all commodities for one particular commodity. *In the last example, the medium of exchange is not a commodity.* The exchange of corn for so many arbitrary units expressed on pieces of paper, is not the exchange of one commodity for another, but for a right or power to demand services or commodities at any future time. The only requisite that such notes need to constitute money is, that the members of the community shall agree to accept them from each other in exchange for products.

Consider, for instance, the transaction between

the farmer and the farm-laborer. Entitled to ten per cent of the crops, the latter finds himself unable to utilize the produce in the way he desires. The farmer owes him, as we saw, one thousand bushels of corn; but the laborer wants shoes, clothes, hats, and a variety of commodities. Now suppose the farmer pays him the value of the corn in gold. He is as badly off as if he were paid in corn, unless the gold be more generally acceptable than the corn, since it is not the gold he wants, but what it will procure. The payment, therefore, of the notes, or in other words the money, is the acknowledgment on the part of the farmer of a debt equivalent to one thousand bushels of corn at that particular time and place. The notes are orders upon any and every member of the community to render this man goods and services equivalent to the one thousand bushels of corn, and if the notes be issued by the farmer, the community looks to him to redeem them in corn. If issued by the community collectively, they may be redeemable by the government of the community by taxation, or remain in circulation. The payment of the notes or money is not an exchange of two products, such as in the case of a gold medium. The farm-laborer has exchanged his product, viz., services, for an order or right to demand an equivalent of one thousand bushels of corn. *Being socially recognized and acceptable, and ex-*

pressed in terms in which the purchasing power of all commodities are commensurable, this paper serves as a means of expressing values, and is, therefore, strictly and scientifically speaking, money.

"The true nature of money is now apparent. It is simply a right or title to demand some product or service from some one else. Now when a person accepts money in exchange for products or services rendered, he can neither drink it nor clothe himself with it; nor is it any species of economic satisfaction for the service he has done. He only agrees to accept it for the service he has rendered because he believes, or has confidence, that he can purchase some satisfaction which he does want at any time he pleases. Money is therefore what is termed credit."*

The term "medium of exchange," would indicate a distinction in the very nature of that which serves as a medium and that of the things exchanged. The transaction known as selling is not a barter nor a complete exchange transaction.

It is not the exchange of one product for another; it is what is termed a demi-exchange. The exchange is but half completed; it is only complete when we have purchased what we need with the money. Then, and only then, is the exchange completed, and reciprocal satisfaction effected.

* Macleod, "Theory of Credit."

"A sale of goods for money," * says Francis A. Walker, "is only half a transaction; the other half takes place when the money itself is sold for the goods." The medium of exchange must therefore not be regarded as a commodity, nor must it be subjected to the same influences.

It must be absolutely invariable, since it must express accurately the exchange relations of commodities to each other. A variable medium cannot possibly do this; and as all exchangeable commodities are variable and subject to fluctuations, *no commodity can, scientifically speaking, constitute the medium of exchange.* The difference between what is termed commodity money and true money may be illustrated as follows:

Let A, B, C, be three commodities, C being the commodity medium. Let M be money in its scientific form. The result of a complete exchange is, as we saw, reciprocal satisfaction. To achieve this, in the first instance, we have, A=C; C=B; that is, two complete exchanges for one economic result.

With money we have A=M=B, that is, one complete exchange, and one economic result, viz., reciprocal satisfaction. The idea of money originates in the desire to affect an exchange, when two commodities of *unequal value* confront each other. Thus, referring to our former illus-

* "Money and Trade."

tration: supposing the vintner desired of the farmer 1000 bushels of corn, and agreed to exchange at the ratio of 1000 bushels of corn= 1000 gallons of wine, but the farmer needs only one gallon of wine, and cannot use more. The vintner, therefore, would owe the farmer the equivalent of 999 bushels of corn, viz., 999 gallons of wine, in such a transaction. The farmer requires substantial evidence of this debt on the part of the vintner to him, and in such a form that he can transfer it to others for the things that he desires to procure, and which they possess. In order to make such evidence available, it must be socially recognized and generally acceptable. Suppose under the first system of exchange the vintner pays the farmer the difference in gold. In the absence of any legal tender act, or any governmental interference, has the vintner discharged the debt? This would depend upon whether the farmer accepted the gold in the final discharge of the debt, and his acceptance would depend upon whether society would do the same. He would accept it, therefore, only as a medium, a means of providing what he needed. But now, observe the difference in the result between a commodity medium and true money, such as I have described. In the use of gold, such a medium is recognized to be the equivalent *per se*, of the commodities purchased. It is given in *final discharge* of the

debt or obligation. Now, no one believes that gold, functioning as a means of exchange, is of any special benefit; it yields no comfort or happiness outside of its acquired money functions; it gives no economic satisfaction; it is not wanted. Hence, the gold-medium *as gold* is simply useless. It is of no greater utility than the paper upon which the number of units of purchasing power is engraved. It does nothing more than any material which performs the functions of money. Now suppose the vintner pays the difference in a note representing his debt, is the debt finally discharged? *No, not until the note is redeemed in goods.* He owes the equivalent of 999 bushels of corn, that is, 999 gallons of wine, and if society agrees to accept his note, it looks to him for its redemption. In this case society would get 999 gallons of wine, a useful and desirable article, instead of several pieces of gold, which, as money, are of no more use than paper. In other words, the use of metallic or commodity-money deprives society of a number of useful commodities, and substitutes, therefore, that which is, comparatively speaking, useless. We have, therefore, this principle: *The use of commodity-money entails a loss upon society equal to the cost of producing the amount of the commodity so used.* By placing money on a scientific basis and making it redeemable in *all* commodities, instead of in

one, and that one a comparatively useless one, the gain to the world would be incalculable. When I speak of gold as comparatively useless, I mean that if it were suddenly and completely disassociated with money, it would become almost a drug upon the market, and fall in price as silver has recently done, which would hardly pay for producing. The fundamental difference between true money and commodity money is, that where a sale of goods is made for the latter the transaction is complete. Now, although economists such as Walker admit that the seller has not received satisfaction until he has exchanged the money for some desirable products, still they regard the transaction as complete, and the debt finally discharged, as soon as the money is paid; hence, there is an economic exchange without reciprocal satisfaction, which is scientifically impossible. Now we saw when treating of barter, that the test of a complete exchange was reciprocal satisfaction. Both parties to the transaction must receive satisfaction, by an exchange of desirable commodities, utilities. The exchange of a commodity for commodity-money is an absurdity. It asserts discharge of the obligations of the one to the other, with but one satisfaction. It declares the transaction to be complete when it is incomplete. The exchange is said to be complete without accomplishing the natural results

of an exchange. It is utterly unscientific, and this conflict of the commodity with the money is the cause of all the trouble. As a final discharge of obligation, the commodity takes precedence and declares the exchange transaction completed. As money it asserts itself as being the *medium* of exchange; not the thing desired but merely its representative, a means to an end, the middle thing, the mechanism of exchange; hence, the contradiction. *Therefore we are compelled to barter our goods for one particular commodity, which we do not want, in order to acquire the means by which we can ultimately acquire the commodity we do desire.* Money is said to express values, and is also called a common denominator of values. Thus, Francis Walker says:* "Value, economists are pretty much agreed, is a relation, and for the purpose of the present discussion we may so take it. But surely a relation, a ratio, cannot be measured! You do not measure the relation of a mile to a furlong; you express it as 8:1. You use a common language for the two quantities. You take a common term or denominator for the two distances and thus set them in immediate comparison with each other. Were you, for example, to say that a mile is 63,360 inches, and a furlong one twenty-fourth part of a league, the untechnical

* "Money, Trade and Industry."

and unskilled hearer would form no idea of the relation between a mile and a furlong. Instead of this, you take one quantity, the furlong, as unity, and state the other in terms of it, and the least learned and least practiced hearer at once apprehends the relation. This is precisely what is accomplished by money."

Nothing can be clearer or less ambiguous than this description of the function of money, the common denominator of values. After this exposition of the matter, it is astonishing to find this writer, further on, falling into the very error he is warning others against. He says:* "Given the fact of a *general desire of one article of uniform quality*, which is susceptible of easy and exact division, we have all the requirements of a common denominator in exchange satisfied." But what, in the name of common sense, has "a general desire" for an article to do with "a common denominator in exchange?" We exchange *dissimilar* things, one kind for another kind. We do not exchange things of the same denomination for each other. For instance, we exchange wheat for butter and butter for gold; not butter for butter or gold for gold. *How can there be a common denominator for things of unlike denomination?* The statement is an absurdity.

* "Money, Trade and Industry."

Now the exchange relation is capable of expression in a common language. Whilst the *commodities themselves* cannot be brought to terms of one denomination, *their exchange relations can*, and these relations are their values. What has desire to do with ratio? Values, as we have seen, are relations of quantities, *ratios* of quantities, and can be expressed in numbers. *A common denominator of values is, therefore, a common denominator of numbers; or, in other words, it is a common denominator of quantities, not of qualities.* Here, for instance, are two commodities whose value relations is as follows: 1 lb. sugar : 1 lb. coffee : : 2 : 25; which shows that 25 lbs. sugar exchanges for 2 lbs. coffee. What is the common denominator for this expression of value? The value of sugar to coffee is as 2 : 25. Since these are integers, they are commensurable with unity; therefore unity is the common denominator of their values. *The common language of values is numbers.* They cannot express themselves through a medium of gold, silver, or corn, any more than a man can express his thoughts through the medium of his clothes. A "general desire for one article" has no more to do with a common denominator of values than a demand for clothes has to do with language. In fact, it would be as sensible to talk of expressing the relation of a furlong to a mile by "an article"

for which there was a "general desire," as to talk of expressing values, or constituting a common denominator of values, by the same thing. "You do not measure the relation of a mile to a furlong; you express it thus, 8 : 1. You use a common language for the two quantities. You take a common term or denominator for the two distances and thus set them in immediate comparison with each other," says Professor Walker. Precisely so! and this is exactly what you do with values. "You use a common language for the two quantities," and any article of uniform quality, "for which there is a general desire," is as incapable of measuring or expressing the exchange relations of commodities as it is incapable of expressing the ratio of a furlong to a mile.* Both are quantitative relations, and both can only be expressed numerically. The long and somewhat skillful argument by which Professor Walker endeavors to overthrow the errors of the so-called "Hard Money" advocates, is founded upon a fallacy as great as those he seeks to expose. When he writes of money as "expressing values" and as the "value denominator," he is writing correctly and scientifically. He is then treating money from the standpoint of economics. When, however, he writes of money as an "article of uniform quality,

* See concluding paragraphs of this chapter.

susceptible of easy and exact division," he is treating money as a commodity, and from the standpoint of a legalized institution—an institution both unscientific and contrary to the nature of things. Scientifically speaking, it would be just as sensible for a government to pass a law declaring that there shall be two sunsets every twenty-four hours, or black shall be white, as to declare that 25 8-10 of gold shall be a "standard of value," and that money is a commodity. Legislators say a thing is so and so, and science says it is not. Legislators declare money to be a commodity; science says it is not and cannot be. And so in trying to reconcile two opposing and contradictory theories, Professor Walker, in common with Macleod and many other able economists, misses the goal towards which the science of economy unerringly points. Approach the subject from whatever standpoint you may, providing it is in the true scientific spirit, and the only solution to the money question is found in releasing money from its unnatural association with a commodity. This is not the first occasion that the laws of nations have conflicted with those of science.

The pranks played by this association of money with a commodity are the strangest possible. It has led economists into a perfect labyrinth of mystery and confusion, until the science of exchanges resembles a Chinese puzzle.

It has led Francis Walker, one of the cleverest economic thinkers, to conclusions directly opposite to those he should logically have reached; similarly with Macleod, the mathematical economist. It made the former condemn paper money, after having satisfactorily and conclusively proved it to be capable of performing perfectly well the money functions, because it did not, forsooth, possess the functions of a commodity; and yet he starts with the definition "Money is that money does, that is, money; all that is money; only that is money, which performs a certain office." As well might he condemn a horse for not possessing wings, or a cow for not raising wool. That which satisfactorily performs the money functions is good money, just as a steam-engine that performs the work required of it is a good engine. And again he says: "Money is that which passes freely from hand to hand, throughout the community in *final discharge of debts and full payment* for commodities."

In another place he says, that "When a man accepts money in payment for the product of his labor, he parts with that which, presumably, was capable of gratifying his own tastes and bodily needs, and takes instead, something *which he does not intend or desire personally to consume or enjoy, or use in any other way than as the means or medium of securing later or elsewhere that which*

shall satisfy his individual wants." And again, "A sale of goods for money is only *half a transaction.*"* How can both parties to a transaction be considered as "finally discharged" of debt, and "full payment" for commodities declared to have been made, if the transaction is only "half a transaction?" He distinctly states that one party to the transaction has received satisfaction, and the other has not; and yet declares the latter to have received "full payment!" Half a transaction means a one-sided transaction, and yet the advocates of these one-sided transactions, of this "commodity" or "hard money," tell us they are for "honest" money. "Honest" money, indeed, that declares "*half* a transaction" to be a complete transaction!" "*Honest*" money that makes a dishonest "transaction!" The cause of all the ambiguity is confounding money with the commodity. Science most emphatically declares that money is not a commodity; governments declare that it is, and hence we have this invention, ostensibly a means for facilitating exchange, becoming the dominator of exchange, the medium transformed into the result — the end of trade.

An Eastern legend tells of a favored mortal

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*These quotations are all taken from Prof. Walker's book, "Money, Trade and Industry."

who proceeded, upon the information of a fairy, to secure a vast abundance of wealth that lay secreted beneath a palm. On approaching the tree it assumed the form of a malignant giant of threatening attitude, and drove him off terror stricken. But as soon as the fairy appeared, the palm resumed its natural condition. The legend adds, that the treasure was only secured by the co-operation of the fairy, who stood guard to prevent the tree from becoming transformed into the giant.

We have, in the term money, a simple invention for assisting trade and commerce; a mere piece of useful mechanism; a system of ready reckoning; a method of expressing values. This is money approached from a scientific standpoint, from the science of economics. From its present social aspect, however, we have a hundred-headed giant, a monster of immense proportions, terrible and threatening. Instead of facilitating and assisting exchange, it dominates and controls it. Instead of exchange determining what money shall be used, and how, money determines what exchanges shall take place, and how often. It accelerates, diminishes and stops industry, wherever and whenever it chooses. It creates values, and demolishes them at will. In place of expressing them, it controls them. This invention, this tool, this machine, has become the

product, the finished material itself. Such are the results of governmental control of money.*

Macleod explains very lucidly the origin of this conflict between money and the commodity. It is nothing else but a conflict between science and legislation; the result of interference of governments in matters pertaining to a branch of knowledge which they can no more control than they can the motion of the tides; and, as Mill says: "Whilst governments may determine what institutions shall be established, they cannot arbitrarily determine how these institutions shall work." In jurisprudence, money is a commodity, and is considered as the absolute payment and satisfaction for a debt; a closing of the transaction. The commodity function is here supreme. But, in economics, a payment of money is not a closing of the transaction. A complete exchange is the "obtaining a satisfaction for a satisfaction. A piece of money is no more an economic satisfaction than a piece of

* "To plain people it appears beyond doubt that the immediate cause of the enslavement of some men by others is money. But science, denying this, says, that money is only a medium of exchange, which has no connection with the enslavement of men. . . . To say to-day that money does not produce slavery is as correct as it was correct fifty years since to say that serfdom did not produce slavery."

Count Leo Tolstoi, Essay on "Money."

paper." * And again, "it does not follow that a payment is the final closing of the transaction. The only legal word which denoted the final closing of the transaction, is satisfaction."

I have dwelt at length upon the commodity aspect of money, because it is this association which is the cause of most, if not all, of the world's financial troubles. It is the conflict of two opposing forces that unsettles industry periodically. Money is constantly seeking to perform its functions as the medium of exchange, and is every now and then hindered and restrained by the commodity governing it, and as a general thing the commodity is master of the situation. It insists upon asserting itself. It causes the money, or rather the material by which money is known, to leave the country, to stay at home, to circulate, to be hoarded, to be plentiful or scarce, as seems most profitable and desirable to its owners. Commodity-money only facilitates exchange when it is more profitable for its controllers to do so than not. It assists industry only as long as it is paid — I may even say bribed — for, notwithstanding its natural functions, if it pays to stifle industry it stands ready at all times to do so. It is like the unfaithful guardian of life and property, who is as willing to

* Macleod.

aid and abet thieves and assassins, as to preserve the safety of citizens, and whose conduct is governed solely by whichever side pays him the most; or, like the mercenary traitor, who will as readily bear arms *against* his country as *for* it. This is the evil, the pernicious effect, the cursed result of a specie basis. "The coinage of this basis" says William A. Whittick, in his admirable little pamphlet on the money question, "constitutes a world-wide monopoly of money which exploits industry to an appalling extent. It alternately stimulates and paralyzes industry; it is in the hands of its owners, both the life and death of business enterprise. So far as it goes, and that is but a little way, it is life, but its limit is paralysis. We carry on our business enterprises until the money gives out; but the limit should be labor and material. How the discoveries of gold in Australia and California in 1847 stimulated the world's industries. And yet the basic factors of that industry existed before these gold discoveries."

To sum up then: We have now discovered the true origin, nature and functions of money. It is an ingenious invention to avoid certain difficulties and inconveniences brought about by unequal exchanges. It represents the inequalities in these exchanges, or, in other words, debts. In order to do this satisfactorily, it must be capable of

representing and expressing precisely the exchange relationship of one commodity to another, or, in other words, values. Now, since values are ratios between different quantities expressed numerically, it follows that the money must consist of some system of numbers by which these ratios are expressed. By bringing all commodities to an exchangeable equality, we find the numbers representing their exchange proportions. By finding the least common multiple for these numbers, and dividing it by each, we get the value expressions of all commodities in simple numbers. Since these are whole numbers, unity may be adopted for the common unit, and we have at once the expressions of the purchasing powers of all commodities in terms of an invariable unit. The general adoption of this plan will enable anyone, at a glance at the daily market reports, to see the prices of any commodities. These units recorded fractionally, singly and in multiples on good paper, issued for debt and made redeemable in all commodities, constitute money in the strict scientific sense. It thus becomes, in truth, the *medium* of exchange, not the *end*. Its units being invariable, it becomes a perfectly safe and scientific standard by which to reckon deferred payments. By its very nature it cannot be a commodity. A commodity is that which, by its consumption, use or operation, satisfies

human desires. A commodity is the *end* desired by exchange; money is only a *means* to that end, the mechanism by which exchanges are effected. A sale of commodities for money is, therefore, not an exchange. Exchange is then only in a transitional state; it is incomplete. It is completed only when a purchase of goods for the money takes place. A purchase is the complement of a sale. The two acts, by the same person, with the same money, is a complete exchange. *The end sought in exchange is, therefore, the acquisition of commodities, not money.* It is to satisfy their wants and desires, that men trade together.

The desire to acquire and hoard money is a perversion of the natural use of things. Money is made for use, for exchange, to transfer, to spend as currency, to be kept running, moving, not stationary. Money is not a standard of value, nor a measure of value. *It expresses values, it registers purchasing power.* Finally, as money is the representation of commodities—the symbol of the satisfaction which their possession affords—it is redeemable in all commodities alike, without preference to any. We can now see the unscientific character of that theory, which is so extremely popular among the advocates of protection, the disciples of the old mercantilists, the theory that wealth consists of money and that the end of

trade and international commerce is the acquisition of money—a theory that declares the shadow of a thing to be the substance, the means, the end; the machine its produce.

Under a scientific system this absurdity, together with those others, viz., "the balance of trade" and the "standard measure of value," will disappear. The true end and aim of commerce, namely, the acquisition of useful commodities, will then be pursued by all, and the world will cease its mad pursuit of this *ignis fatuus*. Then industry will take its natural place and control finance; not, as now, be led in chains as its tool and slave. Then panics will be possible, only when men refuse to labor or nature ceases to yield her treasures.

Then industrial warfare will give place to industrial co-operation, and men will cease to be murderers in business, whilst professing a religion of peace and good will to all.

In spite of the already too-lengthy discussion on the subjects of standard and measures of values, I must, at the risk of taxing the reader's patience to the utmost, touch once more on a phase of the question which some may be still in doubt over. Recent experience upon the platform convinces me that the fallacy underlying

the specie basis is not to be destroyed by a sudden or unexpected assault, nor by an exposure of merely one phase of the question. It must be exposed from all sides in order to destroy it in both root and branch.

In the writings of the most advanced thinkers, I find the statement made again and again, that money is inconceivable unless based upon some commodity selected as a permanent "standard of value," as it is called; and there seems to be a general agreement regarding gold as the "natural standard."

In order to demonstrate the difficulty under which these writers labor, I will repeat an illustration previously given; but before doing so let us fully comprehend what the money problem is. Economists often fall into an error by supposing a society in which commerce and exchanges are about to commence and where the exchange relations of commodities, being unknown, must be discovered by selecting one commodity and comparing all others with it, i. e., "measuring" them by the standard selected. This I have already shown to be impossible. Exchange relations are not discovered by bringing one thing alongside another. It is the wants and desires of society that establishes these relations, and no single commodity can possibly do so.

We must remember that the system of barter existed prior to the use of money, and that this invention has for its object the remedying of the difficulties attending barter.

We must suppose that at the time money is introduced the exchange relations of commodities are already established through the system of barter. The prime function of money is to *express these relations as it finds them* and to intervene merely as a medium of exchange. Suppose, then, we find the following goods exchanging in the proportions named:

Five quarts milk for one pound butter.

One yard cloth for twenty-five quarts milk.

Two ounces silver for one yard cloth, and so on.

The advocates of a standard assert that these commodities must all be brought to the terms of the denomination of some one *commodity* in order to ascertain and express their values. On the contrary, I assert that it is physically impossible to bring commodities themselves to terms of any common denomination. It is merely their exchange relations that can be expressed in terms of a common language, and that language is numbers, and numbers only. Standard advocates fall into the error of supposing value to be "possessed by" or to "inhere in" commodities, and imagine that all goods contain various quantities

of this thing or substance called "value," of which a given weight of the standard contains a fixed amount; and yet, when defining value, they are careful to speak of it as being only a relation between two quantities or powers. But let us see what the use of a standard achieves. From the relations of the goods given above, we may raise them to an equality with the highest, viz., one yard cloth, thus:

Twenty-five quarts milk=five pounds butter= one yard cloth=two ounces silver.

Now let us select silver as our standard of comparison.

Then we have:

$$\left.\begin{array}{l}\text{25 quarts Milk}\\ \text{5 pounds Butter}\\ \text{1 yard Cloth}\end{array}\right\} = \text{2 ounces Silver.}$$

If we imagine one ounce silver divided into 100 equal parts, we have the following prices for our commodities:

$$\text{1 quart Milk} = \frac{8}{100} \text{ or 8 cents.}$$

$$\text{1 pound Butter} = \frac{40}{100} \text{ or 40 cents.}$$

$$\text{1 yard Cloth} = \frac{200}{100} \text{ or 200 cents.}$$

All that we have accomplished by this comparison is to find a common expression for the

exchange relations of these goods; and this we see is a *numerical* expression. For instance, the value relation of 1 quart milk to 1 pound butter is 8 : 40, and 1 pound butter to 1 yard cloth as 40 : 200.

Now the dividing line between ourselves and the advocates of a commodity standard, or unit of purchasing power, begins at this point. The latter contend that these numbers stand for certain pieces or weights of silver; and hence a certain definite weight of silver or gold may constitute a permanent standard of value or purchasing power. On the other hand, I contend that these numbers represent merely the purchasing powers contained by, or rather *conferred upon* certain weights of silver at the particular time the comparison is made.

What is needed in a monetary system is not a fixed weight of any concrete substance, but a certain invariable unit of *power* which is attached to a definite weight of some commodity; hence one commodity is as good as another for this purpose whether wheat, cotton, sugar or gold.

Neither an ounce of silver nor an ounce of gold contain a "*fixed* quantity of value." They merely have conferred upon them, by reason of their utilities, powers of purchasing other commodities, but these powers vary continually ac-

cording as their marginal utilities vary from time to time.

For this reason no commodity, whether it be gold, silver or the diamond, can be a permanent standard of purchasing power.

Referring to our former example: Suppose we regard the term dollar as the equivalent of the purchasing power of one ounce of silver at the time this comparison or price list was arranged, but make it in no wise dependent upon the commodity, silver, thereafter; the dollar becomes an absolutely invariable unit of purchasing power, viz., the equivalent of that power which happened to be attached to an ounce of silver at one particular time and place. And no matter how silver may fluctuate thereafter it cannot affect the purchasing power of this ideal unit—the dollar.

My contention is that the purchasing power of a definite quantity of any commodity, say 25 grains of gold on a given day, say January 1, 1894, may be taken as equal to the unit of purchasing power, from which to *start* prices, but that the purchasing power of this quantity of gold cannot, scientifically speaking, be recognized as the unit in July, 1894, or January, 1895, or in fact at any time thereafter, since definite and invariable powers are not associated with definite weights or quantities of commodities.

Purchasing powers, like values, are abstract rela-

tions not concrete magnitudes. They are purely ideal, and vary as our wants and desires regarding all objects of utility vary. To measure our desires for things generally, seems at first sight, impossible, yet it is possible to give numerical representation to them by the differences in the quantities of the things we are willing to give for those we desire. A desire for a certain thing at one particular time may be represented by 1, and for some other thing at the same time by 2, and so on. Thus we may establish a numerical relationship among all commodities, *our unit being the desire we had for a given thing at a given instant of time.* But the desire is not possessed by the thing itself, nor is the intensity of the desire for the thing the same for all time. The numerical relationship being once established, *our monetary system should be such that prices can be affected only by changes in the demand for and supply of commodities themselves, and not by reason of any change in money.*

The relations established by the comparison of the goods selected to one special substance, viz., silver, are identical with those arrived at by the method I have previously given. Thus we have:

$$\left.\begin{matrix}\text{Milk}\\ 25\text{ quarts}\end{matrix}\right\} = \left\{\begin{matrix}\text{Butter}\\ 5\text{ pounds}\end{matrix}\right\} = \left\{\begin{matrix}\text{Cloth}\\ 1\text{ yard}\end{matrix}\right\} = \left\{\begin{matrix}\text{Silver}\\ 2\text{ ounces}\end{matrix}\right.$$

The least common multiple of these numbers is 50.

Dividing this by each of the above numbers,

we find the values of those commodities in terms of one common language, viz., numbers.

	1 quart Milk	:	1 pound Butter	:	1 yard Cloth	:	1 ounce Silver
as	2	:	10	:	50	:	25

We previously saw, however, that when compared with silver the relation of

	1 quart Milk	:	1 pound Butter	:	1 yard Cloth
is as	8	:	40	:	200
which is the same as	2	:	10	:	50

So far, then, the results are identical. But it cannot be too often repeated that these numbers merely represent the proportions in which the purchasing powers socially conferred upon these various commodities stand to each other, and do not remain the same in relation to any particular commodity for very long.

Those who think the practical difference upon society between a commodity standard of purchasing power and an invariable ideal unit, such as I have described, of little import, have only to consider the case of a farmer mortgaging his farm in 1864 for say, $10,000, and having to repay the amount in 1894. Suppose his principle product to be wheat. In 1864 wheat sold for more than $2 per bushel; hence the equivalent of the money borrowed, in terms of the farmer's product —wheat—was then, say, 5000 bushels. Had he returned the loan the same year this quantity of wheat would have sufficed to procure him the

$10,000. In 1894, however, wheat is fifty cents per bushel. To repay his loan, the farmer must now produce 20,000 bushels, or four times the amount of the loan when it was made, besides having had to pay interest during the past thirty years, which in itself would be the equivalent of, at least, three times the original loan. In other words, by borrowing *the price* of 5000 bushels of his own product in 1864, in thirty years after, paying off principal and legal interest, he will have paid fully seven times more than he borrowed, reckoned in his own coin — wheat. While this may, in part, be due to a cheapening of production, it certainly is not entirely due to it.

The appreciation of the standard commodity, gold, is as much the cause of low prices as labor-saving inventions. In other commodities, such as cotton, these differences are more marked. If money is to be used as a standard of deferred payments, it must be invariable in itself and should merely register fluctuations in commodities.

In asserting the necessity for connecting the element of time with any concrete standard that may be chosen as the unit of purchasing-power, we are only seeking what everybody recognizes as an essential condition with all standard units of measurement, viz., *invariableness.* The English standard of length, for instance, is the distance between the centres of two gold plugs in a certain

bronze bar, the bar being at a particular temperature, viz., 62° F. The one element or condition to which metals are unavoidably exposed which causes variations in their volume, viz., temperature, must be taken at some arbitrarily fixed point. Similarly with purchasing-powers. These fluctuate in the course of time from supply and demand, and as we are unable to fix the conditions under which values remain invariable, all we can do is to make our unit or standard the equivalent of the purchasing power of a certain weight of some commodity *at a given time* from which to start prices, as previously explained. The introduction of this element of *time* abolishes the permanent commodity-standard at once, and gives us an invariable ideal unit, in terms of which the fluctuations of all commodities can be registered or expressed with mathematical exactness. May we not in all sincerity inquire in the words of Berkeley, "Is not this the true philosopher's stone?"

CHAPTER IX.

GRESHAM'S LAW.

If evidence be required to demonstrate the unscientific thought that controls our monetary science, we find abundant proof in the importance given to what is known as the Gresham Law by statesmen, financiers and economists, during the past two centuries. No theory in economic science is more frequently quoted, or more often appealed to, and yet its existence is entirely due to that fallacy which I have endeavored to expose in the previous chapter, that money is a commodity. The Gresham Law contains about as much truth as the astronomical theories of the Rev. Mr. Jasper, or the economics of Governor McKinley, and no more. Sir Thomas Gresham, the founder of the Royal Exchange, in the sixteenth century, observed that new coins rapidly disappeared from circulation, especially when the bulk of the coinage in circulation was light in weight. He discovered that in exporting the precious metals, money changers

invariably selected the new full weight coins; hence the light weight ones remained in circulation. The persistency with which this occurred led Sir Thomas to formulate what has ever since been known as Gresham's Law, viz., "Bad money drives out good money, but good money cannot drive out bad money." Consideration of this law makes one wonder whether monetary science is a branch of knowledge which the fundamental principle of philosophy, viz., the survival of the fittest, has failed to cover. Let us consider the subject closely. If we analyze a coin we shall find it composed of a certain quantity of metal, moulded into a certain form and stamped with an inscription on each side. As a piece of metal (silver or gold) it is merely a commodity. The inscription gives it the credit of the government. Wherein does the money consist? In the nation's credit or in the metal contained in it? What causes it to be generally received, to circulate throughout the community? If I take a hammer, and, avoiding the loss of any of the metal, I deface the inscription so that it is unrecognizable, the coin will not circulate. No one will receive it on the same terms as before the inscription was defaced, notwithstanding that as a piece of metal it remains of precisely the same value. I am compelled to send it to the mint and have the inscription renewed, or sell it to a gold or silver merchant as a

commodity. *The effacement of the inscription has reduced the coin to a mere commodity. The money is destroyed.* Does anyone doubt this fact? If so, let him take a piece of gold of the same quantity and quality as a gold dollar, and of the same shape, and omitting the inscription, let him try to use it as money. He may put even more gold into it than is in the dollar. No one but a gold merchant will accept it, and then only as a commodity.* He will buy it just as he would buy tea, coffee or any other commodity. What, then, is the meaning of the phenomenon, viz., the disappearance of the largest and fullest weight coins? Merely this, that the tendency of commerce and

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* "Counterfeiters are flooding Cincinnati with spurious dollars of silver. The curious feature of this illegal act, is, that the counterfeit is said to be pure silver, and, therefore, of a better quality than the government furnishes as a legal tender. The present market price of silver enables the counterfeiter to manufacture this superior coin and yet obtain for his labor a handsome profit."—*Philadelphia Ledger*, March 10, 1894.

"An undergraduate of the University of Pennsylvania, who considers himself a practical joker, recently placed a five dollar gold piece on the tracks of the Reading Railroad, and after a train had passed over it, hammered it out of all shape, removing every trace of the die. Then he took it around to purchasers of old gold, who tested it by weight and acid, and told him how much they would give for it. The highest offer he received was seventy-five cents."—*Philadelphia Record*, Feb. 7, 1894.

of industry is towards cheapness, towards the destruction or abolition of *value*—as used in the commercial sense.* It is founded upon the economic law that men seek to gratify their wants with the least expenditure of energy, a law that corresponds to the line of least resistance in mechanics. Consequently, of two things, both equally well adapted to fulfill a certain function, the cheaper one will be selected. For this reason iron has superseded brass and wood, and steel has taken the place of iron in many of the arts. For this reason iron itself will be displaced as soon as mankind finds a cheaper material capable of performing the same duties. For this reason, too, coins of short weight stay at home, and those of full weight go abroad. For this reason, were it not for the interference of governments, and for legislative enactments, gold and silver would be relegated to the arts to which they properly belong, and the cheapest and best form of money, paper, would be universally adopted. The Gresham Law is a thorough demonstration of the fact that the ability of money to perform its duties is a function which a commodity is incapable, *as a commodity*, of performing. In commerce, as in

*I have dealt more fully with this subject in the Chapter on Value, viz., the constant tendency of industry —when free from governmental interference—to reduce the "valuable" to the merely useful.

mechanics, the utilily of an invention is determined by its ability to discharge the functions for which it was invented. As Francis Walker says: "Money is that money does."

Now, knowledge of the fact that when two kinds of coins were put in circulation, the one circulated freely whilst the other refused to do so, would lead to the inevitable conclusion that that which circulated was the better money, i.e., better adapted for the work required; for what is the work required of money but to circulate freely? Money is to trade what wheels are to a car, a means of facilitating its progress. What possible use would a wheel be to a car that refused to revolve? *And yet we are gravely informed that money which will not circulate is the best money!* Gresham's Law is, therefore, an absurd and ridiculous fallacy. *Good money will always drive out bad money.* The cause of the "picking and culling" of gold and silver coins (as it is called) is this, that when coins function as money, they are not, properly speaking, commodities; as metals, they are; and coins, like everything else, obey the highest law of their being. This law is, that they seek the sphere wherein they can perform the functions of that office for which they are best adapted; and this is the law of the survival of the fittest, a law which Gresham's theory contradicts. As coins, they are of less value than mere

commodities. Their money functions are subordinate to their commodity function. But now, it may astonish 'Greshamites' to learn that, as a matter of fact, *money never goes abroad. It is the commodity that emigrates. Coins are sent abroad as bullion, not as money.* They are sent to foreign mints and re-coined or sold to exchangers. We may sum up the matter as follows: Commodity-money is the subject of two powers, one governing it as a medium of exchange, the other as a commodity. The question as to whether a coin will perform the money function well or ill, whether it will circulate or not, is dependent upon whether its commodity value is greater or less than its money value. *Any money that is tied to a commodity is, therefore, bad money,* in the sense of not being reliable in performing the money functions when it is needed. Good money is of that nature that at all times it obeys the law of its being and is subjected to no other law.

Gresham's Law shows further that the natural tendency of money is to become disassociated from the commodity. A coin short in weight circulates where the full weight one cannot. The commodity begins to disappear from the moment a coin is started on its course. Either it disappears *per saltum,* or else it is gradually worn away by abrasion. The loss from use is in itself evidence of the unwisdom of allowing money to

carry the wealth of which it should be merely the representative, with it. It is handicapped from the start, like the snail that is compelled to carry its house on its back.

We can now see the absurdity of striving to make money a commodity, or in associating it with a commodity. Subjected as it must be to two conflicting forces, it cannot well perform the money function so long as it is exposed to the force acting upon it as a commodity. "No man can serve two masters." Gresham's Law distinctly shows that as commodities, gold and silver refuse to perform the money function; they will not serve as money. It is only when their commodity forms disappear, are lost sight of, that they properly fulfill the function of a medium of exchange. Gresham's Law should, therefore, be amended in order to become truthful, as follows: "Cheap money is the best money and drives out dear money," which means that the cheaper the material of which the money is composed, the better.

Of course, in order to be money, it must properly fulfill the duties required. Cheap money, therefore, does not mean *poor* money, *i. e.*, inability to discharge the money function. Iron is cheaper than gold, but an iron bridge is infinitely preferable to one of gold. A locomotive, constructed of steel, iron and brass, is infinitely cheaper than one built of gold and silver, but no one need be told

that the former makes a better locomotive. So long, then, as it performs satisfactorily the money work, cheap money is the best money, and must of necessity drive out dear money.

CHAPTER X.

THE MATERIAL EXISTENCE OF MONEY.

Economists tell us that the precious metals seem to be specially designed by nature as the material out of which to coin money. Thus Prof. Jevons says, "some of the metals seem to be marked out by nature as most fit of all substances for employment as money. Accordingly, we find that gold, silver, copper, lead and iron have been more or less extensively in circulation in all historical ages. In almost all respects gold is perfectly suited for coining." *

Nevertheless, he confesses that when used in a pure state they are too soft and rapidly wear away. "When quite pure, indeed, gold is as soft as tin." Hence alloys are formed, and these so-called "precious" metals, specially designed by nature for man's use as a medium of exchange, need adulterating to render them at all serviceable. In other words, nature seems to

* "The Mechanism of Exchange."—Prof. Jevons.

have made a bad job in her attempt to furnish mankind with a satisfactory medium of exchange, and man has had to bring his art to her assistance. But the combined forces of art and nature have failed to make a perfect metallic medium, for this alloy is not proof against the gradual disintegration and death of the coin. From the time a coin starts upon its journey its dissolution commences, and if it were not renewed from time to time it would ultimately disappear. If there be any purpose or design in nature regarding the precious metals, it would seem to point to their final destruction, in common with man.

Gold and silver are, therefore, no more ordained by nature to serve as money than a man's body is ordained to perpetual life. "Every year," says the governor of the Bank of England, "a fresh class of sovereigns become too light. The class which one year passes with full weight, loses enough by wear and tear to draw the scales, next year, against it. During their currency coins wear away, some more and others less. Name and substance, nominal weight and real weight, begin their process of separation. Coins of the same denomination become different in value because they are different in weight. The weight of gold, fixed upon as the standard of prices, deviates from the weight which serves as the circulating medium, and the latter thereby ceases any

longer to be a real equivalent of the commodities whose prices it realizes. The history of coinage during the middle ages, and down into the 18th century, records the ever renewed confusion arising from this cause." *

The natural tendency of circulation to convert coins into the mere semblance of what they profess to be, and of the weight of metal they are officially supposed to contain, is recognized by modern legislation, which fixes the loss of weight sufficient to demonetize a gold coin, or to make it no longer legal tender. "It is the theory of the the present English law," says Professor Jevons, "that every person weighs a sovereign tendered to him, and assures himself, before accepting it, that it does not weigh less than 122 5-10 grains. In former days, it was not uncommon for people to carry pocket scales for weighing guineas, and such scales may be seen in the old curiosity shops. But we know the practice has been entirely given up, and that even the largest receivers of coin, such as the banks and railway companies, and even the tax offices, post office, etc., do not pay the least regard to the law. Only the bank of England, its branches, and a few government offices, weigh gold coin in England. The result is that a large part of the gold

* "Mechanism of Exchange."—Prof. Jevons.

coinage is now below the least current weight, and all persons of experience avoid paying old sovereigns into the Bank of England. Only ignorant and unlucky persons or else large banks and companies, which cannot otherwise get rid of light coin, suffer loss. The quantity of light gold coin withdrawn by the Bank, did not many years exceed half a million a year; during the last few it has varied from £700,000 to £950,000. As the average amount of gold coined annually is four or five millions, and the coins melted or exported are for the most part new and of full weight, it follows necessarily that the currency is becoming more and more deficient in weight." He also says: "In 1869 I ascertained, by a careful and extensive inquiry, that 31 1-2% of the sovereigns, and nearly one-half of the 10s. pieces were then below the legal limit." *

Was there ever a more complete exposure of the failure of a thing to perform its functions, than gold is here shown to be? And yet the writer thinks he sees, in the supply of gold, an all-wise provision of nature for supplying man with a medium of exchange! This substance specially prepared by nature, and assisted by the art of man, bolstered by legislative enactments, supported by authority of the State, fails to carry

* "Money the Mechanism of Exchange."

out what it is decreed to do, and the disaster and loss caused by its failure is allowed to fall upon the "ignorant and unlucky." Well does John Stuart Mill write: "But though governments or nations can in some measure determine what institutions shall be established, they cannot arbitrarily determine how these institutions shall work." Apart, therefore, from the fluctuations in value of the metals themselves, gold and silver are physically unfitted to be used as money. Macleod says: "But when we consider the purposes for which money is required, it is easily seen that no substance possesses so many advantages as a metal. The use of money being to preserve a record of services due its possessor for any future time, it is clear that money should not alter by time. All civilized nations, therefore, have adopted a metal as money; and of metals, gold, silver and copper have been chiefly preferred."* If the chief use of money is to preserve the record of services due to its possessor, nothing would appear so serviceable for this purpose as good parchment paper. When properly engraven, the record would be, practically speaking, imperishable. One fact alone should, however, suffice to convince us of the unsuitableness of using gold and silver for money, viz., their extreme cost.

* "Theory of Credit."

Prof. Jevons has computed the cost to England involved by the use of gold, silver and bronze money. He says: "The cost of the currency is made up of four principal items: the loss of interest upon the capital invested in the money, the loss by the abrasion of the gold coin, the expenses of the mint, and lastly, the casual loss of coins. The last item is of wholly unknown amount." He estimates these items as follows:—

Three and one-half per cent on gold coin in circulation, bullion in Bank of England, silver and bronze coin, total	£131,125,000
Loss of interest	£4,262,000
Wear of coin	48,000
Mint estab.	42,000
Total .	£4,352,000,

or, speaking in round numbers, about *twenty-one million dollars* annually. This, however, is only one part of the loss. If gold and silver were relegated to the arts, where they properly belong, the demand for them would immediately decline, and a vast amount of labor now employed uselessly, would be released to follow more productive channels. I have, however, shown in discussing the Gresham Law, that the cheapest substance (providing it is suitable and will perform satisfactorily the work) is the best substance for money uses as for everything else.

In fact, the great fundamental law governing commerce and industry is, that the cheap drives out and supersedes the expensive. It is the same law as that by which men seek to satisfy their desires with the least expenditure of energy.

In the arts, we do not use silver when copper will answer our purpose as well, nor brass when iron is as serviceable. A sewing-machine, constructed of nickel and bronze, would not be any more useful than one of cast iron and steel; and this steel pen with which I write is quite as useful as one of gold. Now experience in this country has demonstrated that paper is the most serviceable of all substances for money purposes. It combines all the so-called advantages of a metal currency, and has none of its disadvantages. It is cheap, useful, durable, easily engraven, made cognizable and portable, can represent any denomination of value, is not subjected to loss by abrasion, is not subjected to commodity fluctuations, is readily and inexpensively replaced when lost, and finally is not liable to resolve itself into a commodity and leave the country when it is most needed, or at any other time.

Of all the various substances used for money, none is so desirable or useful as paper. Its advantages are so great, that were it not for law-makers it would soon be the only substance used. Paper money is not a recent discovery.

Like many other things, we are indebted to the Chinese for this most useful invention. "In the beginning of the reign of Hiantsong, of the dynasty of Thang, about the year 807, A. D., there was a great scarcity in the country," writes Macleod.

The emperor ordered all the merchants and rich persons to bring all their money into the public treasury, and in exchange gave them notes, called 'fey-thsian,' or 'flying money.' In three years, however, this money was suppressed in the capital and was only current in the provinces.

In 960, A. D., Thai-tsu, the founder of the Soung dynasty, renewed this practice. Merchants were allowed to deposit their cash in the public treasuries, and received in return notes, "pianthsian" or current money. The convenience of this was so great that the custom quickly spread, and in 997, A. D., there was paper in circulation to the amount of 1,700,000 ounces of silver, and in the year 1021, A. D., it had increased to 2,830,000 ounces. At this period a company of sixteen of the richest merchants were permitted to issue notes, payable in three years. But at the end of that term the company was bankrupt, which gave rise to much public distress and litigation. The emperor abolished the notes of the company and forbade any more joint stock banks to be formed. Henceforth the power of issuing notes was kept in the hands of the government. These notes were also

called kiao-tsu and were of the value of an ounce of silver.

In 1032 there were kiao-tsu to the value of 1,256,340 in circulation. Subsequently banks of this nature were set up in each province, and the notes issued by one provincial bank had no currency in any other. These were the first bank notes on record, that is to say, notes issued in exchange for money, or convertible into money, and not paper money created without any previous deposit of specie. Besides these bank-notes, the Chinese manufactured paper money to a vast extent."*

The vast importance paper money has been to the world, it would be impossible to over-estimate. As Macleod says: "Paper money has had incomparably more influence in the world than all the gold and silver. Credit and paper now form the great circulating medium or currency of the world, and amounts to at least fifty times the quantity of specie in this country." In the United States, at least 98 per cent of the entire business and commercial transactions of the country is done upon a credit and paper basis, without the intervention of specie. Experience, therefore, unites with the great law of philosophy known as the "survival of the fittest," in declaring cheap

* Macleod, "Theory of Credit."

money to be the best money. The nearer it approaches the ideal, the more perfectly will money perform its function. "So long as nations continue in a low state of civilization, all the money or credit is made of some material substance. But when they advance in civilization, they make use of credit in another form." *

* H. Spencer, "Social Statics."

CHAPTER XI.

PRICE.

Price is defined by economists as the "money value" of commodities. Francis Walker defines it as the "power a thing has to purchase money." He, however, in common with most other writers, uses the term value as synonymous with purchasing power. I have already pointed out the difference between these two terms. The definition above given, viz., "the power a thing has to purchase money," whilst in one sense a correct one, conveys the idea that the price of a thing varies, not only with the demand for the thing itself, but with the demand for money. In other words, by this definition the idea is implied that money is a commodity, and therefore is subject to the law of supply and demand. Scientifically considered, as I have shown, money is not a commodity, and the moment that that absurdity known as the "standard of value" is abolished, and laws restricting its issuance repealed, money will assume its natural position as an in-

variable common denominator of values. The price of a thing will then be wholly dependent upon the demand for the thing itself, and not upon the demand for the medium of exchange. We have seen that money, the medium of exchange, is the expression of values or purchasing powers of commodities. But how is it possible to accurately express values by a medium which is itself subjected to independent influences?

Imagine a thermometer, the scale of which is composed of a highly expansive substance, and so situated that it is acted upon by an artificial heat, to which the bulb is not exposed. It is evident that such conditions would render the thermometer altogether worthless. We should have a scale whose graduations measured 1-32 of an inch one day, 1-16 of an inch another, 1-8 another, and so on, according to the degree of artificial heat to which it is exposed. Hence, without any change of atmospheric temperature, we should find the scale registering, say, 60° one day, 70° another, 80° another, and so on.

This is precisely analogous to what happens in our monetary system with commodity-money.

The bulb or mercury corresponds to commodities; the atmospheric heat to supply and demand to which commodities are subjected. The scale represents money and the expansive substance is gold. The artificial heat bearing

upon the scale is the supply and demand of gold or money. Now it is very certain that so long as money, or its commodity, is subjected to the law of supply and demand, it becomes quite impossible for money to register, even with an approximation to truth, the actual variations in the values of commodities. As a means of accurately expressing values, such a system must, from the nature of things, be a total failure. And when we reflect that this scale — money — is controlled by a class of speculators whose interests it is to be continually changing the scale,— first enlarging and then diminishing its graduations, — changing the purchasing powers of dollars and sovereigns by manipulating their supply,— how absolutely unreliable, unscientific such a monetary system is, how false it must be in its mission, how dangerous to commerce and industry, how menacing to the welfare of society and mankind, the slighest consideration will make evident. Just as the thermometer scale must be invariable in order to make the thermometer of any use, so money must be of such a nature that it cannot vary from supply and demand, in order that commerce may be successful and freed from the continual annoyance and disaster to which it is now subjected.

A medium of exchange founded upon a scientific, instead of a specie basis, will be in itself in-

variable and not subject to commodity laws. It will faithfully and constantly register the fluctuations in the prices of all commodities including gold itself.

I have already shown that all commodities may be considered to possess* *special* purchasing power, whilst money is *general* purchasing power. I should, therefore, define price as the special purchasing power of commodities, expressed in terms of general purchasing power. The price of a thing is its special purchasing power expressed in units of general purchasing power. The immense advantage which an invariable medium of exchange affords to commerce we may readily see, as well as the disadvantages arising from a variable one. With money as an invariable medium, or common denominator of values, as it is termed, there can be no such thing as a general rise or general fall in prices. This phenomenon occurs whenever money is affected by the law of supply and demand. With a scarcity of money prices go down, and with a glut of money prices advance. The cause of the variations in the money supply is wholly attributable to a monopolized, restricted currency: or,

* This word must not be taken in too literal a sense. Purchasing power is no more a property of commodities than value is. I use the expression merely in a conventional sense.

in other words, to treating money as a commodity. By following to its termination a complete exchange, we shall best perceive the serious evils arising from the use of a variable medium. A complete exchange transaction is accomplished only after the money received for the sale of one commodity is used to purchase some other. For example, let A represent a commodity for sale, M the medium of exchange (money), and B another purchasable commodity. Now the sale of A is represented by A=M; but as money is only a means to an end—an intermedium—the exchange operation is but half performed. It is completed as soon as the money is used to purchase something else. M=B represents, therefore, the second half of the exchange transaction, which is wholly represented by A=M=B, which represents exactly the true functions of money. It shows that A is exchanged for B through the intervention of M. M should, therefore, merely record the relations existing between A and B, and in order to do this, it must be, *per se*, neutral.

Whilst economists recognize the variations to which commodity-money is subjected, they argue that these variations do not work injustice, since they affect all commodities proportionately. Thus, if M increases in volume and affects the price of A, it affects B to the same

degree, and, therefore, the relation of A to B is expressed as accurately as if M had remained constant. Thus, John Stuart Mill says: "The relations of commodities to one another remain unaltered by money; the only new relation introduced is their relation to money itself, how much or how little money they will exchange for; in other words, how the exchange value of money itself is determined." Now, it is true that "the relations of commodities to one another remain unaltered by money," *providing that the complete exchange takes place at the same instant and in the same place;* but if between the time of selling A and purchasing B an interval elapses, during which M has changed its relation to A and B, then it is certain that the use of M *does alter the relations of commodities to one another;* and this is what generally happens. It is seldom that a man finds it convenient the instant he sells his goods, or receives money, to purchase other commodities. He finds it necessary, as a rule, to store it for a time when he will need certain things. Under our present system of credit, goods are invariably sold upon time, 30, 60 and 90 days. The prices for which such goods are sold are those ruling at the time of the sale. If, therefore, a change occurs in the supply and demand for money, during the time given for payment, it is very certain that an injustice may be done to the

seller by this disturbance, since the relation of commodities to each other has been changed by reason of the change in the value of money. *

* "If all prices were altered in like proportion, as soon as money varied in value, no one would lose or gain, except as regards the coin which he happened to have in his pocket, safe or bank balance. But, practically speaking, as we have seen, people do employ money as a standard of value for long contracts; and they often maintain payments at the same invariable rate, by custom or law, even when the real value of the payment is much altered. Hence, every change in the value of money does some injury to society."

"It might be plausibly said, indeed, that the debtor gains as much as the creditor loses, or vice versa, so that on the whole the community is as rich as before; but this is not really true. A mathematical analysis of the subject shows that to take any sum of money from one and give it to another will, in the average of cases, injure the loser more than it benefits the receiver. A person with an income of one hundred pounds a year would suffer more by losing ten pounds than he would gain by the addition of ten pounds, because the degree of utility of money to him is considerably higher at ninety pounds than it is at one hundred and ten. On the same principle, all gaming, betting, pure speculation, or other accidental modes of transferring property, involve, on the average, a dead loss of utility. The whole incitement to industry and commerce and the accumulation of capital depends upon the expectation of enjoyment thence arising, and every variation of the currency tends in some degree, to frustrate such expectation and to lessen the motives for exertion." Money and the Mechanism of Exchange.—JEVONS.

With a medium of exchange liable to experience all the fluctuations to which other commodities are subjected, by reason of variations in supply and demand, by "corners," gambling and speculation, is it any wonder that success in trade and commerce seems to be a mere matter of chance and good luck, rather than the natural results of conforming to certain scientific laws and steadfastly working along their prescribed lines? Here, then, we find another proof of the absurdity and perniciousness of basing money upon a particular commodity, already demonstrated by the Gresham Law.

CHAPTER XII.

CAUSE OF GENERAL RISE AND FALL IN PRICES AND ITS REMEDY. DEVELOPMENT OF VALUE AND PRICE FROM BARTER.

The statement made in the previous chapter that "with money as an invariable denominator of values there can be no such thing as a general rise and fall in prices," appears so startling that a complete elucidation of the matter is desirable. As this demonstration will be made by a consideration of the price form of commodities, I shall first show how this form is developed from simple barter.

Barter is the direct exchange of commodities with each other; thus, if two pounds of cheese are exchanged directly for one bushel of wheat, we have simple barter. If, however, money be introduced, and two pounds of cheese be sold for a certain sum of money, and this money be used to purchase the bushel of wheat, this is said to be selling cheese and buying wheat. The two transactions are identical in results, providing they both take place at the same place and at the same time. An interval between selling the cheese and buying the wheat may, however, cause the results to be widely different. Referring to the illustration given on page 176 of the chapter on Money, we saw how the

relations of commodities were expressed. Take the following commodities as equivalents in exchange:

Barter or Exchange Form.

Sugar in lbs.	=	Butter in lbs.	=	Coffee in lbs.	=	Potatoes in bush.	=	Cloth in yds.	=	Gold in oz.
400		50		40		20		25		1

Now since values are inversely proportional to the quantities in which goods exchange, we can arrive immediately at the value form by dividing their least common multiple by each quantity. Thus:

400,

400 Sugar	50 Butter	40 Coffee	20 Potatoes	25 Cloth	1 Gold

which becomes:

Value Form:

Sugar:	Butter:	Coffee:	Potatoes:	Cloth:	Gold:
as 1 :	8 :	10 :	20 :	16 :	400

We have seen that price is the money form of commodities. It follows, therefore, that the price form is evolved directly from the value form by merely applying a common denominator to the value form.

This common denominator can be any number arbitrarily selected. All numbers being simple multiples of unity we will select this as our common denominator. In the above example it will be seen that 1 happens to be the equivalent, or the expression of the purchasing power of 1 pound of sugar at this particular time. But it is likewise the expression of the purchasing powers of 1-8th pound of butter, 1-10th pound of coffee, 1-400th ounce of

gold, etc., and represents one just as much as another. Hence this unit being in no wise based or dependent upon any one commodity, it is absolutely invariable. All we need do is to apply the decimal system and we at once arrive at a method by which the purchasing powers of all commodities may be expressed and their daily fluctuations registered with mathematical fidelity and precision.

Taking 1 as the denominator and applying it to the value form we obtain the following:

Price Form.

Sugar	Butter	Coffee	Potatoes	Cloth	Gold
1	8	10	20	16	400

1.00

which means, that if sugar be 1 unit per pound, butter is worth 8 units, coffee 10 units, and so on. Here we have traced the development of price from the exchange relations of commodities. We are now in a position to ascertain the cause of a general rise or fall in prices, and having discovered the cause the remedy will become apparent. Taking the price form, let us write down the values of several commodities.

Suppose tea to be selling for sixty cents per pound; wheat 75 cents per bushel; iron $25 per ton; silver 90 cents per ounce; whiskey $2.50 per gallon; gold $20 per ounce. Remembering that the so-called "standard of value," or rather the common denominator of values is $1, the

price form of the above commodities becomes:

Tea	Wheat	Iron	Silver	Whiskey	Gold
60	75	2500	90	250	2000

1.00.

Now, it is quite evident that any variation in the denominator affects all the numerators proportionately. Thus, if the denominator be doubled, the effect is the same as if all the numerators were halved. Similarly, halving the denominator is the same thing as doubling the numerators. Since these fractions constitute the prices of the various commodities (i. e., tea being 60-100 dollar per pound; wheat 75-100 dollar per bushel), it follows that variations in the denominator of values causes variations in the prices of commodities; and since all commodities have for their denominator this so-called "standard of value," it is evident that any change in the standard, causes a corresponding change in the prices of commodities. An increase in the denominator results in a decrease in prices, and a decrease in the denominator causes an increase in prices.

The cause, therefore, of a general rise or a general fall in commodities, is the use of a variable denominator of values.

The remedy is to be found in the abolition of the commodity standard and the adoption of an invariable value denominator. How this can be arrived at in practice I shall discuss further on.

CHAPTER XIII.

MONEY SUPPLY AND DEMAND.

As a necessary consequence of treating money as a commodity, economists have found themselves confronted with all sorts of unanswerable problems. For instance, if money is a commodity, how can we prevent it from fluctuating in obedience to the law of supply and demand? And if it is continually varying, how can money be a common denominator of values, or a standard of deferred payments? Will not every variation in the supply and demand interfere with its functions as an invariable denominator? And why should not this commodity be governed by the law governing other commodities, and its production tend to cheapness and low cost instead of dearness and high cost? I have already shown, when dealing with the subject of price, how a variable denominator disorganizes the whole world of exchange

transactions by raising and lowering prices. Under these conditions, instead of facilitating exchange, this value denominator becomes a hindrance and an obstruction, and in place of functioning as the mere medium of exchange, it dominates and controls it. Economists show very clearly how the purchasing power of money rises and falls with every diminution and increase in its supply, the demand remaining constant. "The value of money," says John Stuart Mill, "other things being the same, varies inversely as its quantity; every increase in quantity lowering its value, and every diminution raising it in a ratio exactly equivalent."*

The result to which economists are naturally led, involves an extraordinary contradiction, viz., that exchanges must be limited by the supply of money. This is what is implied by the expression "over-trading." This is surely a reversal of the natural order of things. What would be said of a theory which propounded that the amount of land cultivated should be governed by a certain limited production of agricultural implements, or the volume of railway traffic by the production of locomotives, or the road transportation of the country by an artificially regulated supply of horses? And yet, such propositions would be wisdom itself

* "Principles of Political Economy."

compared to that of allowing commerce to adjust itself to a legally restricted supply of money. Experience has taught us the wisdom of allowing the production of commodities to be limited only by the wants and needs out of which their production arises. Thus, the production of agricultural implements is governed by the demand which arises from the cultivation of the land, and the production of locomotives is controlled by the demand arising from transportation, and so on. *Since all industries are dependent on money in some form or other for their existence, the amount of money issued should be governed wholly by the demand arising from trade and commerce.*

We are now in sight of the shoals and quicksands where the commodity-money advocates inevitably founder. They stand between two horns of a dilemma, each confronting them with a contradiction. For the claim that money is a commodity involves the surrender of money to the influences governing commodities, such as supply and demand, under which it must fluctuate and cannot therefore be a standard. It is incapable of registering fluctuations in the values of other commodities.

On the other hand, in order to save money from such fluctuations and preserve it as a standard, it is necessary to shield it from supply and demand

influences, and this takes it at once out of the realm of commodities.

In other words, *when treated as a standard of value or of deferred payments, money is no longer a commodity; and when treated as a commodity, it is no longer money.* Nothing is more amusing than to witness the alarm and consternation into which the "hard" or commodity-money people are thrown the moment their theories are seriously and intelligently discussed. If you try to show them what money really is, in its scientific aspect, they talk about the impossibility of carrying on commerce without a "standard of value." If you take them on their own ground and insist upon treating money as a commodity, and strive to show them that the inevitable tendency of industry is towards cheapness in the production of commodities, and the necessity therefore of cheapening the production of this commodity by the free coinage of silver, etc., they become frightened, and talk of the ruin of the country, the disorganization of prices, etc.

Consider for a moment what money really is. Commencing with Aristotle, who had probably the most marvelous mental perception of any man of ancient times of whom we have knowledge. He says, "but with regard to a future exchange (if we want nothing at present, that it may take place when we do want something) money is, as it were,

our *security*. For it is necessary that he who wants it, should be able to get what he wants."

F. Cradocke, a London merchant in the time of the commonwealth, says: "——it is to be observed that money itself is nothing but a kind of security, which men receive, when parting with their commodities, as a ground of hope or assurance that they will be repaid in some other commodity, since no man will either sell or part with any, for the best money, but in hopes thereby to procure some other commodities or necessaries." Bishop Berkeley asks in his Querist, "whether the true idea of money, as such, be not altogether that of a ticket or counter? Whether power to command the industry of others be not real wealth? And whether money be not in truth, tickets or tokens for recording and conveying such power? and whether it be of consequence what material the tickets are made of?"

Henry Thornton says, "money of every kind is an order for goods." Adam Smith says, "a guinea may be considered as a bill for a certain quantity of necessaries and conveniences upon all the tradesmen in the neighborhood." So Bastiat speaks of money as "an acknowledgment or title, an order of the state, a token, etc." Baudeau says, "it is a kind of bill of exchange or order payable at will of the bearer, etc."

"It is one of the special merits of the econo-

mists," says Macleod, "that they clearly saw the true nature of money." *

If, then, money is merely a ticket, a token, a mark, a counter, an order, how can it be a commodity? Why should it be subjected to the laws of supply and demand? Tickets, counters, marks, are not subjected to any such laws. When I purchase a ticket for a theatrical performance, or for a railroad journey, I pay a fixed sum arranged by the theatrical manager or the railroad company. The ticket is merely the evidence of a debt or obligation on their part to render me a certain service. This ticket is not a commodity, it is but a piece of paper. It is of no value *per se*, and is subject to no fluctuations. This transaction means, that in paying them a certain sum of money I have given them an order on society, a note or coin possessing general purchasing power, which entitles the holder to any product or service desired, to the value of the note or coin.

In return they have given me an order on themselves, entitling me to a seat at the theatre at a particular time, to witness a performance, or to proper conveyance to a certain place. Now the only difference, in reality, between money and a

* These quotations I have taken from Macleod's work, "Theory of Credit," Vol. I.

theatre ticket or railroad ticket is, that the former is a general order on society, the latter are special orders on particular persons or companies. Their nature is otherwise precisely similar. In purchasing such tickets we never think for a moment of the material of which the ticket is composed, nor, in fact, of the ticket at all, apart from what it represents. In itself it is a piece of card-board, which we should not trouble to pick up were it not for what it represents. Further, we should consider an agent insane who made his tickets of gold or silver. We should call it the most wanton form of extravagance. Again, these tickets are not issued on any notion of maintaining the *value of the tickets.* The number of seats sold or persons carried is not governed by the number of tickets issued; on the contrary, the number of tickets printed is governed by the number of people desiring to travel, or by the capacity of the theatre. A theatre ticket or a railway ticket is merely a convenient means of recording a debt, and this is precisely what money does. An individual issues one to society as an order on him to fulfill a certain pledge or obligation of a *special* nature. Society issues the other to individuals as an order on it to fulfill its pledges or obligation of *any* nature. The absurdity of limiting the amount of money issued, in order to maintain it at a certain value, is equivalent to that of a railroad com-

pany limiting the number of tickets printed in order to maintain a certain fare. What should we say if such a company issued tickets, based upon a per capita calculation of the population of the towns through which it ran, and insisted that the traffic should be limited to this number? The full effects of this limitation in the issuance of money we shall hereafter see. The question, therefore, as to the amount of money needed by a nation, is one which no man can possibly answer, nor is it important that we should be able to do so. *The supply of money, like the supply of anything useful, must be governed by the transactions out of which its need arises, and its issuance must be made as free as the transactions themselves.*

In answering the question, "Can there be an over-issue of money?" two things must be considered. If by issue is meant the mere printing of certificates or notes, the answer is that no harm is done beyond the slight loss in paper.

On the other hand, if by "issue" is meant the paying out of money by the government or individuals, in exchange for commodities and services, it is evident that there can be over-issues, just as a railroad company can sell more tickets than its carrying capacity, or a theatre manager more than his theatre will accommodate. Money represents debts which society or individuals agree to re-

deem, and since there is a limit to the productive power of every one, there is also a limit to every one's ability for settling debts; hence, there must be a limit to the issuance of money. This limit, however, is only governed by the productive power of those issuing it. Money must necessarily be backed by wealth, and so long as it does not nominally exceed the purchasing power of the wealth behind it, there can be no danger of over-issue.

When treating of wealth I showed that a commodity was something useful and was exchangeable for some other useful thing. Now money, as we have seen, is not a commodity; it is the medium between commodities by which they are proportioned and exchanged. It is a very useful invention for facilitating and assisting commerce. But the question arises, if money is useful and exchangeable, does it not answer to the definition of a commodity, just given? Is not money a useful invention, and is it not exchangeable for commodities? When discussing the subject of exchange, we saw that the test of a complete exchange was reciprocal satisfaction. Now the exchange of commodities for money (i. e., a sale) does not afford reciprocal satisfaction. As Francis Walker says, "men take it (money) not for its own sake, but for what it will bring them; they hold it not to enjoy it, but to be ready for the

moment when they shall part with it to obtain that which they will enjoy."

Macleod also says, "the use of money, being to preserve the record of services *due* to its possessor for any future time, etc."

So Thornton says, "money of every kind is an order for goods." "It is not with money that things are really purchased," says John Stuart Mill. "There is," says Le Trosne, "this difference between an exchange and a sale; that in an exchange everything is consummated or completed for each party. They possess the thing which they desired to procure, and they have only to enjoy it. In the sale, on the contrary, it is only the purchaser who has attained his object, because it is only he who is in a position to enjoy. But everything is not ended for the seller."

For this reason a sale is, as we have seen, a demi-exchange, or, as Francis Walker says, "only half a transaction." *Money, therefore, is not itself, in the economic sense, an exchangeable commodity. Money is not the thing itself exchanged; it is the medium of exchange, the middle thing, the symbol of satisfaction.*

It is a "ticket," an "order," or "counter." A ticket for a theatre is a very useful institution, and is given to the purchaser for money; but nobody regards the acquisition of this mere ticket as of any account apart from

what it represents. Deprive it of its significance, and it is nothing but a piece of paper, utterly useless and valueless; the same is true of money. Stripped of the power with which society has clothed it, it is nothing useful, it is utterly worthless. "There cannot, in short," says Mill, "be intrinsically a more insignificant thing, in the economy of society, than money, except in the character of a contrivance for sparing time and labor. It is a machine for doing quickly and commodiously what would be done, though less quickly and commodiously, without it."

Apart from its function, as the medium of exchange, money is, therefore, nothing; it vanishes. In fact, *it is absolutely essential, from the very nature of things, that money should be nothing apart from its exchange functions.* Money is the common denominator of values, and values can be expressed only by numbers. Now a denominator of numbers has no existence apart from the numerator. Its *raison d'etre* is to qualify the numerator; it disappears with it. Now a commodity has an independent existence; it is an entity. *A commodity cannot be a common denominator of values, since it has no existence apart from and independent of the numerator, and cannot disappear with it.*

Since money is nothing apart from its work, and is not a commodity, money is *per se*, essentially of

no value.* The values or purchasing powers which it expresses do not reside in money, nor are they a part of it. They are the attributes of the wealth that is behind it as guarantees of its redemption, and which cause it to circulate. Money is not itself wealth, but merely its representative or symbol. Like the denominator of a fraction, money expresses the value of the numerator, and disappears with it; or, like the sign of equality, it expresses the relation of two things, but is, apart from those things, meaningless.

The question of the supply of money may, therefore, be thus summed up. There should be an abundance, in order to meet all the requirements of business, and the supply should be governed by these demands instead of allowing business to adjust itself to a fixed supply. Money, when issued on a scientific basis, obeys but one law. In order to do this, it must be *per se*, valueless. *The supply of money should not be restricted.* The substance chosen should be the *most plentiful*, so that it could not possibly be monopolized. Value arises only where scarcity exists—where the supply is limited; hence gold is the worst possible material of all out of which to create money.

*I am using the word value here in the conventional sense. It is difficult to avoid its employment in this way and yet convey one's exact meaning so as to be properly understood by the popular mind.

We have also seen that so-called commodity-money is subjected to two conflicting forces, the stronger of which it is bound to obey. As a commodity it is subjected to the law of supply and demand, and seeks that field where it can realize for itself the best returns. Now it is only as a commodity that money is capable of being exploited. It is in this capacity alone that money brokers and bankers are able to extort interest. Money is a source of profit to those who deal exclusively in it, only so far as it is controlled by the laws of supply and demand. Hence, with the adoption of an invariable ideal unit of purchasing power, and with freedom to monetize all forms of wealth alike, interest or payment for the use of money would die a natural death, since the supply of money would always equal the demand. An invariable denominator of values would herald an unprofitable condition of things for money dealers, just as a community, free from sickness, would be a poor place for a doctor to practice in. It is owing to the unscientific and disorganized condition of our financial and monetary systems, that banking is one of the most profitable and lucrative businesses in the whole community, just as its irrational, inequitable and erratic laws have made of the United States a paradise for lawyers. Bad finance, bad laws and bad health, are good for bankers,

lawyers, and doctors. Now, just as a railroad ticket has power to procure or purchase the carriage of a person for a certain journey, but is *per se*, valueless, so money, although endowed with purchasing power, is *per se*, valueless. In this way, and in this way only, it becomes entirely free from disturbing influences, and is capable of fulfilling completely and scientifically the functions of a medium of exchange, a common denominator of values, and a standard of deferred payments. The first attack upon the unjust privilege accorded by statesmen and legislators to money was made by Adam Smith, who showed that it was not the highest form of wealth. He strove to reduce it to the level of other commodities. The death blow to privilege will be by reducing money to its natural basis—which is beneath that of commodities—to the condition of a mere medium, or tool of commerce.

CHAPTER XIV.

CURRENCY—CIRCULATING MEDIUM.

Currency and circulating medium are terms both synonymous with money. The word money is said to have been derived from a surname of the goddess Juno, in whose temple the metals were coined. Currency means, literally, a running, flowing or passing; a continued or uninterrupted course, and was evidently applied to the medium of exchange in consequence of its function of circulating, flowing, or being passed along.

Thus Sir Dudley North says: "This ebbing and flowing of money supplies and accommodates itself without any aid of politicians." In law the word has, however, another meaning.

It is well known that stolen property may be recovered from the hands of an innocent holder. A man may lose a thing without losing the right to that thing, and he may recover it from any person, no matter how honestly that person may have come by it. This right to recover a thing is termed Roman law, the *jus vindicandi.* This

law holds good for all forms of property excepting money.

The person who innocently receives stolen or lost money, in exchange for some consideration, goods or services, has the right to retain it. The property in money passes by delivery. The loser may recover, if he finds it in the hands of the thief or finder, but not from an innocent purchaser.

This attribute of money is termed "current," or "currency," or "negotiability." Thus the term has two distinct meanings, as used in law and economics. "Circulating medium" is a term which likewise defines another function of money, viz., that of causing commodities to circulate. It is the means or medium by which commodities circulate.

Now, when sales are made, the motion of commodities is directly opposite to that of money. The motion of commodities is always towards the purchasers, whilst money is continually moving towards the sellers. These opposite motions comprise the vast and complex business of the entire commercial world.

The amount of business transacted in any community is proportional to the amount of commodities in circulation, and this is proportional to the momentum of the circulating medium. Now momentum is the product of mass into velocity;

hence the quantity of commodities circulated in a given time is proportional to the amount of money in circulation, multiplied into the velocity with which it moves. It is, therefore, quite apparent that a small amount of money, moving rapidly, will do as much work as a large amount moving slowly. This explains why England and the United States, with less money per capita than France, are enabled to do a very much larger business.

Now since the function of money is to facilitate the movement of commodities, and since this movement is proportional to the amount and velocity of money, it follows that that money is the best and most useful that can move the most rapidly and which is the least liable to derangement, i. e., the movement of which is attended with the least friction. It is evident, therefore, that commodity-money cannot perform the work of circulation as efficiently as money that is free from this association. Influenced as it is at all times by the commodity, its movements are constantly hampered and restricted.

Hoarding is directly antagonistic to trade and commerce, since it removes from circulation some of the circulating medium, causing a loss of momentum in the moving mass of currency. Now the propensity for hoarding arises from a desire to retain possession of the commodity with which

money is usually associated. The desire for hoarding gold and silver seems to be universal among the more ignorant classes, especially in the East. It is said that from 1602 to 1734, the Hindoos buried 150 millions of pounds sterling of silver, which originally came from America to Europe.*

From 1856 to 1866, England exported to India and China 120 million pounds in silver, which had been received in exchange for Australian gold. Most of the silver exported to China makes its way to India. The propensity of the French peasantry for hoarding is proverbial. All sums hoarded are withdrawn from circulation, the effect of which must necessarily be to reduce the circulation of commodities, so that we have here another illustration of the pernicious effect of associating money with a commodity.

Weighed down from the start with this useless appendage, the velocity of money is constantly retarded, and as a medium of exchange it is rendered ineffectual, owing to a desire upon the part of many to retain possession of the commodity. "With the very earliest development of the circulation of commodities," says Karl Marx, "there is developed the necessity and the passionate de-

* "Capital;" Karl Marx.

sire to hold fast the product of the first metamorphosis. This product is the transformed shape of the commodity, or its gold chrysalis. Commodities are thus sold, not for the purpose of buying others, but in order to replace their commodity-form by their money-form. From being the mere means of effecting the circulation of commodities, this change of form becomes the end and aim. The changed form of the commodity is thus prevented from functioning as its unconditionally alienable form, or as its merely transient money-form. The money becomes petrified into a hoard and the seller becomes a hoarder of money.

"In order that gold may be held as money and made to form a hoard, it must be prevented from circulating, or from transferring itself into a means of enjoyment. The hoarder, therefore, makes a sacrifice of the lusts of the flesh to his gold fetich. He acts in earnest up to the gospel of abstention.

"On the other hand, he can withdraw from circulation no more than what he has thrown into it, in the shape of commodities. The more he produces, the more he is able to sell.

"Hard work, saving and avarice are, therefore, his three cardinal virtues, and to sell much and buy little, the sum of his political economy." *

* K. Marx; "Capital."

But although every sum of money taken out of circulation must be replaced by commodities, the resultant effect is changed. Commodities do not continue long to circulate; they are bought for use, for consumption, and hence are continually dropping out of circulation.

Money, on the contrary, is created for maintaining circulation; it is never consumed, but keeps in motion unless hoarded. Again, by replacing money with commodities, the work to be done by money still in circulation is increased, whilst the force remaining with which to do this work is diminished. By withdrawing money from circulation and replacing it with commodities, the load is increased and the power diminished. The system of hoarding is like tapping the main steam supply pipe of an engine, or diverting from a water wheel a portion of the stream, at the same time increasing the load. The function of money is to travel, to keep commodities moving, and whatever hinders its motion, interferes with its functions and should be avoided. If in issuing tickets for a theatrical performance, a manager were to produce elaborate and expensive works of art, gold or silver pieces inlaid with jewels, he need not be surprised to find his theatre empty and his performance unattended. The desire to retain the tickets might possibly be greater than the desire to witness the performance, and if the latter is

attended only at the cost of parting with a beautiful and expensive work of art, it is quite possible that the majority of the public would hold to the tickets and forego the pleasure of the performance; hence the absurdity of making money costly. Money should be, like a pedestrian, free from all unnecessary burdens. It should resemble the hare rather than the tortoise. We have seen that the term currency is used synonymously with money, and whatever may properly be termed money is termed currency. In the year 1840 a very interesting discussion took place in England upon the question of "What the term currency includes." This discussion took place before the Parliamentary committee on banking, with the result that some extraordinary and very unscientific theories regarding currency became subjects of legislation, and were incorporated in the English bank charter act of 1844. An excellent account of these proceedings is contained in the celebrated work of Macleod, entitled the "Theory of Credit," with an able criticism of the prevailing theories. Among the several leading witnesses who appeared were Lord Overstone, Mr. George Warde Norman and Col. Torrens. Mr. Norman, a director of the Bank of England, after stating that bank deposits and bills of exchange were not included in his definition of money or currency, was asked, "Will you

explain the difference between the functions which money will perform, and those which bills of exchange or deposits will perform?" He replied, "To answer that question fully, one must, I am afraid, take a rather wide view; but I look upon it that the three most essential qualities money should possess are, that it should be in universal demand by everybody, in all times and all places; that it should possess fixed value; and that it should be a perfect numerator. There are other qualities, but I think these are the most essential. Now when I look at all banking expedients, I find that they do not possess these qualities fully. They possess them in a very low degree; and, therefore, as we see took place in 1835, with a very large increase of the deposits of the bank, circulation diminished; and there was every appearance of the effects of contraction.

"There was an increased influx of treasure; and I conceive from that, there were lower prices. By a numerator, I mean that which measures the value of other commodities with the greatest possible facility. If we look at all these banking expedients, we see that they possess the three qualities which I have mentioned, in a very much lower degree."

"Will you state in what respect?"

"I can only take them one by one; a bill of exchange is an instrument commonly payable at

some future time, at a certain place ; and to some particular individual ; it is of no use to any other individual, except it is endorsed to him.

"A man cannot go into a shop with a bill of exchange and buy what he wants ; he cannot pay his laborers with a bill of exchange. The same with a banker's deposit, he can do nothing of that sort with that ; he can do with less money than he would otherwise employ, if he had bills of exchange or bankers' deposits ; but he cannot with bills of exchange or bankers' deposits, do whatever he could with sovereigns or shillings.

"By a banker's deposit, I mean a credit in a banker's books ; nothing more nor less than that."

Mr. Samuel Jones Lloyd, afterwards Lord Overstone, was asked, "What is it you include in the term circulation?"

"I include in the term circulation, metallic coin and paper notes, promising to pay the metallic coin to bearer on demand." "In your definition, then, of the word circulation, you do not include deposits?" "No, I do not." "Do you include bills of exchange?" "No, I do not." "Why do you include deposits in your definition of circulation?" "To answer that question, I believe I must be allowed to revert to first principles. The precious metals are distributed to the different countries of the world by the operation of partic-

ular laws, which have been investigated, and are now well recognized. These laws allot to each country a certain portion of the precious metals, while others remained unchanged, remains itself unchanged. The precious metals converted into coin constitute the money of each country. That coin circulates sometimes in kind, but in highly advanced countries it is represented, to a certain extent, by paper notes, promising to pay bearer on demand; these notes, being of such nature in principle, that the increase of them supplants coin to an equal extent. Where these notes are in use, metallic coin together with these notes, constitute the money or the currency of that country. Now, this money is marked with certain distinguishable characteristics; first of all, that its amount is determined by the laws which apportion the precious metals to the different countries of the world; secondly, that it is in every country the common measure of value of all other commodities; the standard by reference to which the value of every other commodity is ascertained, and every contract fulfilled; and thirdly, it becomes the common medium for the adjustment of all transactions, equally, at all times, between all persons, and in all places. It has, further, the quality of discharging these functions in endless succession. Now I conceive that neither deposits nor bills of exchange in any way, whatever, possess these

qualities. In the first place, the amount of them is not determined by the laws which determine the amount of the precious metals in each country; in the second place, they will in no respect serve as a common measure of value, or a standard, by reference to which we can measure the relative value of all other commodities; and in the next place, they do not possess that power of universal exchangeability which belongs to the money of a country." "Why do you not include bills of exchange in circulation?" "I exclude bills of exchange for precisely the same reason that I have stated in my former answer for excluding deposits. There is another passage in the same report which appears to me to show very clearly that the French Chamber have fully appreciated the distinction between bills of exchange and money. Every written obligation to pay a sum due may become a sign of the money; the sign has acquired some of the advantages of circulating money, because like bills of exchange, it may be transmitted by the easy and prompt method of indorsement. But what obstacles there are! It does not represent at every instant to its holder, the sum inscribed on it; it can only be paid at a distant time; to realize at once, it must be parted with.

"If one finds anyone sufficiently trustful to accept it, it can only be transferred by endorsement,

It is an eventual obligation which one contracts one's self, and under the weight of which, until it is paid, one's credit suffers.

"One is not always disposed to reveal the nature of one's business by the signatures one puts in circulation. These inconveniences led people to find out a sign of money still more active and more convenient, which shares, like the bill of exchange, the qualities of metallic money, because it has no merit but to represent it, but which can procure it at any amount; which like the pieces of money, is transferred from hand to hand, without the necessity of being guaranteed, without leaving traces of its passage.

"The note, payable to bearer on demand, issued by powerful associations, formed under the authority, and acting under the continual observation of government, has appeared to present these advantages. Hence, banks of circulation."

"Under similar circumstances will the aggregate amount credited to depositors in bankers' books, bear some relation to the quantity of money in the country?"

"I apprehend that it is dependent in a very great degree. I consider the money of the country to be the foundation, and the bills of exchange to be superstructure raised upon it. I consider that bills of exchange are an important form of banking operations, and the circulation of

the country is the money in which these operations are to be adjusted; any contraction of the circulation of the country, will, of course, act upon credit; bills of exchange being an important form of credit, will feel the effect of that contraction in a very powerful degree; they will, in fact, be contracted in a much greater degree than the paper circulation."

Sir Robert Peel: "What are the elements that constitute money in the sense in which you use the expression 'quantity of money?' What is the exact meaning you attach to the words 'quantity of money, quantity of metallic currency?'"

"When I use the words 'quantity of money,' I mean the quantity of metallic coin and of paper notes, promising to pay the coin on demand, which are in circulation in this country."

"Paper notes payable in coin?" "Yes."

"By whosoever issued?" "Yes."

"By country banks as well as other banks?" "Yes."

Lastly we may quote Col. Torrens, because he was not only one of the most influential of the sect, but it has been alleged that he was in reality the author of the scheme for dividing the bank into two departments, which Sir Robert Peel adopted in his bank act of 1844. He says: "The terms money and currency have hitherto been employed to denote those instruments of exchange

which possess intrinsic or derivative value, and by which, from law or custom, debts are discharged and transactions finally closed. Bank notes, payable in specie on demand, have been included under these terms, as well as coin, because, by law and custom, the acceptance of the note of a solvent bank, no less than the acceptance of coin, liquidates debts and closes transactions; while bills of exchange, bank credits, cheques, and other instruments by which the use of money is economized, have not been included under the terms of money and currency, because the acceptance of such instruments does not liquidate debts and finally close transactions." Again he says, in reply to some perfectly just observations of Mr. Fullarton: "It is an obvious departure from ordinary language to say that whether a purchase is affected by payment in bank notes, or by bill of exchange, the result is the same. Money and credit, as established by the universal usage of the market, a purchase affected by a payment in bank notes, is ready money purchase (so is a purchase effected by a cheque); while a transaction negotiated by the payment of a bill of exchange is a purchase on credit. In the former case the transaction is concluded, and the vendor has no further claim upon the purchaser; in the latter case the transaction is not concluded, and the vendor continues to have a claim upon the purchaser until a

further claim has been made in satisfaction of the bill of exchange. A bank note liquidates a debt, a bill of exchange records the existence of a debt and promises liquidation at a future day. Mr. Fullarton not only inverts language, but mistakes facts, when he says that the transactions of which the bank notes have been the instruments, must remain incomplete until the notes shall be returned upon the issuing bank, or discharged in cash. A bank note for £100 may pass from purchasers to vendors many times a day, finally closing on the instant each successive transaction. A bill of exchange may also pass from purchasers to vendors many times a day, but no one of the successive transactions, of which it is the medium, can be finally closed until the last recipient has received, in coin or bank notes, the amount it represents.

"Now, it is the necessity of ultimate repayment, which constitutes the main point of distinction, which makes the boundary between forms of credit and money. It is a necessity which applies to bills of exchange and cheques, but which does not apply to bank notes; and, therefore, upon Mr. Fullarton's own showing, upon his own definitions and his conditions as to what constitutes money, bank notes come under the head of money; while bills of exchange and bankers' cheques and such other instruments as require ultimate payments,

transfers and settlements, do not come under the phrase, money. . . . Upon Mr. Fullarton's own showing, money consists of those instruments only by which debts are discharged, balances adjusted, and transactions finally closed; and, therefore, Mr. Fullarton, unless he should choose to contradict himself, must admit that bank notes are, and bills of exchange, cash credits and cheques are not, money."

I have taken these questions and answers verbatim from Macleod's "Theory of Credit," (Vol. II), in order to let the reader have the full effect of the entanglements into which the commodity-money theory inevitably drags its advocates. The first thing to be said, regarding the definitions of money given by these banking gentlemen, is, that they are given from the standpoint of money merchants. Now, from the standpoint of the man who has something to sell, it is quite easy to understand why, in his opinion, that something should "be in universal demand by everybody, in all times and all places;" a phrase which Macleod points out as significantly resembling that celebrated phrase of the Roman Catholic Church: "*Quod semper, quod ubique, quod ab omnibus.*"

One can also see why, in view of the legislative influence of the committee, to advise legal restrictions in the issuance of money, these

bankers should wish to make "*universal demand*" the *sine quâ non* of money. Since the pressure or intensity of demand is inversely proportional to the quantity of the supply, restricting the supply necessarily enhances the purchasing power of the thing demanded, and by restricting the supply to the products of these gentlemen, theirs necessarily became *the thing universally demanded; ergo, their product was money and theirs only.* On similar grounds, the Puritans established their claim to the earth. "Whereas the earth has been created by God for his saints, and whereas, we are his saints, therefore the earth is ours." It is also easy to perceive why these gentlemen should rule out deposits and bills of exchange.

Deposits and bills of exchange are not of their creation; they are instruments controlled by commercial and tradesmen. Now the art of successful dealing is, according to experienced merchants, to depreciate as much as possible your neighbor's wares, and extol to the skies the merits of your own.

Hence, when Mr. Norman, as a director of the Bank of England, looked "at all banking expedients," he found "that they do not possess" the necessary "qualities" of money "fully."

"They possess them in a very low degree," he says. He fails, however, to mention to what degree these "qualities" must be possessed by

"banking expedients" to constitute them money. Again, the necessary qualifications of money, that "it should be in universal demand by everybody," is disastrous for the particular wares which Lord Overstone and Mr. Norman represented. For, as Macleod says, there is no substance or material for which there is a universal demand, "Hence there is no such thing as currency." Bank of England notes, sovereigns and shillings will not pass current at all times, in all places and amongst all people. Wherever British law is the law of the land, there, perhaps, this "quality" of money, this universal demand may be artificially maintained. The trick of establishing by law a system of exchange, and compelling people to trade by this system, and then maintaining that there exists a *universal demand for it*, is worthy of rememberance.

On the same grounds the institution of slavery might have been upheld, owing to a universal demand, on the part of the slaves, to be supported; and any system of taxation may be justified by first establishing it by law, and then pleading a public demand for it.

If the owner of an artesian well could enlist the co-operation of a municipal government to forbid, under the penalty of fine and imprisonment, any person from boring for water, there would be within that municipality "a universal

demand at all times, in all places and amongst all the people" for this particular water. But we should hardly term this demand a peculiar "quality" pertaining to the water, nor should we say that no other water could possess this "quality" to the same degree. It is unnecessary to discuss the absurdities involved in the sentence, "qualities money should possess," as applied to the demand for a thing, and to its function as a "perfect numerator." They are too glaring to need comment. Upon the senselessness of saying that money should "possess fixed value," I have in a former chapter dwelt. The chief thing to remember in the statements and definitions of these gentlemen, is, that they are based not upon any definite ideas or principles regarding the science of exchange, but merely from the standpoint of private interests. It was mainly from the testimony and opinions of these men that the present financial policy of England became established.

The distinction made by Col. Torrens between money or currency, and bank credits, cheques, etc., viz., that in the use of the former transactions are finally closed, whilst the acceptance of the latter does not liquidate debts or finally close transactions, is again another arbitrary distinction not recognized by the science of economics. It is quite possible for a State to enact a law repudiating its indebtedness, but such an act would not

constitute, in the economic sense, a final closing of the transaction.

Neither can a legal tender act make of a demi-exchange a complete exchange, nor convert money into a commodity. We have already seen that a sale of goods for money is, in economics, half a transaction, and that the transaction is not completed until the money is exchanged for other products; hence, economically speaking, a transaction is not finally closed by the use of legal tender or currency, any more than by the use of a cheque or bill of exchange. The distinction drawn by Francis Walker between bank notes and cheques, in his work on Money, is that the former are a form of credit between the holder and issuer, but not between the buyer and seller, whilst cheques are a form of credit between the holder and issuer and between buyer and seller. A further distinction he makes is that cheques are accepted with reference to the character and competence of the persons offering them, whilst bank notes are not; and lastly, cheques pass usually by successive endorsements, whilst bank notes do not require endorsement.

These distinctions, however, when carefully examined, will not be found to constitute a vital or fundamental difference in the nature of the two instruments themselves. The first distinction is unimportant; it is merely a coincidence that the

holder and issuer of the cheque are usually the buyer and seller.

If I borrow money from a bank, and the bank loans me its own notes, the relation between me and the bank is the same as between the holder and issuer of a cheque. The bank is both issuer and buyer, I am holder and seller. I have sold them (by borrowing) a right of action against me, and they have paid for this right in a form of credit.

In this instance, therefore, Professor Walker's distinction between cheques and bank notes vanishes. As to receiving bank notes "without reference to the character and presumed competence of the persons offering them," this is not true in the instance above given. If I borrow money from a bank on collateral security, and am paid in the bank's notes, I take them believing them to be valid, and with faith in the "character and competence of the persons offering them." If I had any doubts on this score, I should certainly not take them; I should deal with a bank in which I had confidence. As to the successive endorsements of cheques, it has likewise been customary in some places (England for example) for traders to insist on purchasers endorsing their names on the bank notes they pay with.

The only distinction that can be claimed between cheques and bank notes, is a difference in

the degree of acceptability; and in some cases it is questionable whether there would be even a difference in this respect. The cheques of a well known business man or corporation, will pass current in a community (as they often do) as easily as a bank note.

In both instances the degree of acceptability is gauged by the credit of the issuer. It is somewhat astonishing to find Prof. Walker classifying inconvertible notes as money, while excluding cheques and bills of exchange, especially after defining "all that as money which performs the money functions." In Chapter VIII of this work I have shown what constitutes money. It is that which discharges the functions of a medium of exchange. It is a record of debt expressed in terms of a denominator of values. Acceptability is generally made the *sine quâ non* of money. But the question arises, to what extent must an instrument be acceptable to become money? We have seen that no money is universally acceptable. In some countries silver has been the legal standard where gold was not. Gold is the standard in other countries where silver is not. But even in countries where a similar metallic standard is used, the coin of one country will not circulate in another. In fact, money never really goes from one country to another. It must be sold as bullion to realize on it, or exchanged as a commodity.

The same money is not universally acceptable. To what extent, then, must it be acceptable? If to a whole country, what sized country? If to a community, what number of people? If that is money which passes current among 30,000,000 people, why is not that money which circulates among 1,000,000? And if among 1,000,000, why not among 1000, 100, one dozen? No scientific reason has ever yet been given to show why that which performs the money functions between two individuals, is any the less money than that which performs the same office in a community numbering millions! Macleod traces a similarity between cheques, bills of exchange and bank notes, even when regarded from the standpoint of English law. Currency, as a legal term, includes those things of which "the property passes by delivery and honest acquisition." "Bank notes, cheques and bank credits stand on exactly the same footing as to liquidating debts and closing transactions. No debtor can compel his creditor to accept an ordinary bank note, cheque or bank credit in payment of a debt; but if he chooses to do so voluntarily, they all equally liquidate debts and close transactions. Tender of a check, is equally good tender of an ordinary bank note. And when the bank has transferred the credit from the debtor's account to that of the creditor, it liquidates the debt and closes the transaction in

all respects as if it had been a payment in money. If a creditor accepts payment by cheque and keeps the cheque an undue time without presenting it for payment, and the bank fails, having sufficient credit on the debtor's account to meet his cheque, the debt between the creditor and debtor is liquidated and the transaction closed." "And if the credit has once been transferred from the account of the debtor to that of the creditor, the debt, as between parties, has been liquidated and the transaction closed, even though the bank should fail immediately afterwards." Such are the facts according to the English laws. By including bank notes as money, cheques and bills of exchange, therefore, must be classified as money.

Now the true science of economics is, as we have seen, based upon justice, and justice is satisfied only with a completed transaction in the economic sense. We are confronted, therefore, with another paradox of laws enacted professedly to maintain justice, whilst enforcing injustice.

How completely the true functions of money are lost sight of, a glance at some of the statements already recorded, will show. "A bank note liquidates a debt, a bill of exchange records the existence of a debt, and promises liquidation at a future day," says Col. Torrens. Now the function of money is not to liquidate debts, but to record their existence; for, as Macleod very truly says, "where there is

no debt there can be no currency." We have seen how the necessity for money arises out of the inequalities of exchange, and how its use is to record and give expression to these inequalities. We have also seen that the liquidation of a debt, or satisfaction, is not obtained until the money, whether coin or notes, is transferred for commodities. By making coin or bank notes a final liquidator of debts, we make them, therefore, the end of exchange instead of the medium; hence, coin and bank notes would not, scientifically speaking, be true money, whilst bills of exchange would be.

To sum up, then: We may agree with Macleod, as to what comprises the different forms of currency, viz., token coins, paper currency, bank notes, checks, bills of exchange, exchequer bills, simple debts recorded on paper showing titles to payments. "From these considerations it follows that the currency or circulating medium of any country, is the sum total of all the debts due to every individual in it; that is, all the money and credit in it." The record of debt, expressed in terms of the exchange relations of commodities, and accepted as the medium of exchange for commodities, is currency, no matter what may be the degree of its circulation.

It is currency only so long as it is current; as soon as it ceases to circulate, it ceases to be cur-

rency. The "degree of acceptability" has nothing to do with it. It is either currency or it is not; it is not a question of degree, it is entirely a question of fact; and since currency is synonymous with money, the same rules apply to money. "That is money; all that is money; and only that is money which performs the money functions." Cheques, bills of exchange, exchequer bills, bank notes and book debts are all expressed in terms of the value denominator. They pass current to a greater or less degree; they serve to circulate commodities; they form a medium of exchange; in short, they perform the money functions, therefore they are money in the strictest sense of the term. It is well to remark that by including coin as currency money, I do not refer to the gold or silver coins "of full value," but merely token coins. It is obvious that the exchange of commodities for gold or silver coins of "full value," is simply barter, the exchange of one commodity for another; whereas, when money intervenes, direct barter is avoided. Macleod attempts to straddle the difficulty of associating money with the precious metals, by terming coins "Metallic credit!" Metallic brains! Metallic conscience! Metallic nonsense! "Currency" he says, "represents nothing but transferable debts." A coin of "full value" no more represents a debt than any other commodity; it carries

full payment with it. The debt which it would otherwise represent is cancelled by the value of the gold or silver it contains. *Coins, therefore, of full commodity value are not money; they are commodities.*

CHAPTER XV.

CREDIT.

When a merchant accepts money for his goods, he receives it believing he can exchange it again for other goods he may need. He accepts it in expectation of its future redemption. Here the element known as "credit" enters. Credit is defined as "expectation of future payment for property transferred or promises given."* The person who sells goods expecting a future return is said to sell on credit. The seller is termed a creditor and the buyer a debtor. The amount due the seller is to him a credit, and to the purchaser a debt. Credits and debts are merely two aspects of the same thing. Every credit is a debt, and every debt a credit. Whenever a transaction occurs, in which one party receives satisfaction and the other does not, the latter is said to receive credit in place of satisfaction. This credit entitles him to satisfaction at some future time. We may define credit, therefore, as the expectation or

* Webster.

anticipation of satisfaction. Credit and debt are merely the two poles of satisfaction, credit being the positive and debt the negative pole. Thus, if we estimate a man's wealth we place the plus or positive sign in front of every credit, and the minus or negative in front of every debt. Every commercial transaction must necessarily take one of two forms, either the barter or credit form. Goods are exchanged for goods or for credit; the direct exchange of one commodity for another is barter; and wherever this does not take place, credit takes the place of one or other commodity. Practically, all the commerce and trade of the civilized world is done upon a credit basis. Credits may be divided into two classes: stationary and circulating. Circulating credit is money, but it is customary to apply the term credit exclusively to the stationary class. Thus, if in exchange for goods supplied, a man gives me his promissory note, payable six months hence, and I am unable to use it to purchase other goods, or get others to accept it in payment of debts owing by me, the note remains with me until mature; it is stationary. Such a note whilst in my possession is simply a credit note, it is not money. If, on the other hand, I can pass it to obtain the satisfaction I desire, the note, being current, is currency or money. Credit is purchasing power. Now, purchasing power may be special or general; it is

general whenever it is generally transferable and acceptable. Thus, legal tender represents general purchasing power; i. e., it is generally accepted throughout the country by all people, in payment of all debts. On the other hand, a mere promissory note which is not generally negotiable, is an example of special purchasing power. It is given to a particular person in payment of a special debt, and cannot be used by that person until maturity, owing to his inability to pass it on. All commodities have special purchasing power, and the exchange of commodities for money is the transformation of special purchasing power into general purchasing power. Circulating credit is, therefore, general purchasing power, and stationary credit is special purchasing power. For instance, railway and theatre tickets are credit notes representing special purchasing power. They are redeemable in railway journeys and admissions to theatrical performances; and since they are not negotiable, and cannot be used to purchase other commodities, they are stationary credits. Although it is customary in trade to distinguish between money and credit, yet, as we have seen, they are of precisely the same nature. Strictly speaking, credit is the general term of which money is a species. One often hears a so-called cash business contrasted with a credit business, as though the two were of opposite character; the truth being

that cash is only a higher and more general form of credit.

"They are each a right or title to demand something to be paid or done by someone else. No one can compel another to sell him anything for money or credit. When, therefore, any person has voluntarily taken money in exchange for anything, it is in reality only credit; because he only takes it in the belief that he can exchange it away again." (Macleod.)

Now, since the terms credit and debt are merely two aspects of the same thing, and since money is a species of credit, it follows that money also represents debt, and may also be termed circulating debt. It follows, therefore, as Macleod says, that "where there is no debt there can be no currency." The attempts of governments and legislators to make of money a commodity, is nothing more nor less than an attempt to destroy the chief function of money. The idea that money must be "something valuable," "something having intrinsic value" in order to constitute "honest" money, shows a complete misconception of money and its functions; for if money is a valuable commodity, if it is, *per se*, an equivalent for the goods purchased, it cannot represent a credit or a debt. If in return for goods I give their equivalent in "full value," there is no element of credit whatever; the transaction is a

barter transaction. Now money does not enter into barter. Instead of an exchange of present satisfactions, the use of money involves the exchange of an immediate satisfaction, for a deferred satisfaction. All commodities represent immediate satisfaction; i. e., they themselves satisfy human wants and desires. Money and credit are merely the symbols of or rights to satisfaction; hence, when the commodity appears, satisfaction accompanies it, like a man and his shadow; it is no longer deferred, it is present. Therefore, "commodity-money" is a contradiction in terms; it is like the man without a shadow—it is an absurdity. It is like the expressions an "equal inequality," a "present future," or an "insatiable satisfaction." Hence gold and silver coins of "full value" are not, scientifically speaking, money; they are not representatives of debt. The value of the gold and silver which they contain cancels the debt which, as money, they represent. I must not refrain from pointing out the fatal error of Macleod, in treating credits and debts as saleable commodities. A debt is not a commodity; it is, to use his own words, "The debtor's duty to pay," or "The creditor's right of action." To pay what? Right of action for what? The "debtor's duty" is necessarily to give satisfaction, and the "creditor's right of action" is to obtain satisfaction; in other words, it is to give or obtain commodities.

Is it not the sheerest nonsense to speak of the abstract duty to pay or give, a commodity, and the abstract right of action to recover or obtain a commodity, as *tangible things*, as saleable *commodities?* "If it were asked," he says, "what discovery has most deeply affected the fortunes of the human race, it might probably be said with truth—the discovery that debts are saleable commodities."

No such discovery having yet been made, except in the mind of the able author himself, it is difficult to predict how it would affect the "fortunes of the human race." If it were asked what discovery had most *injuriously* affected the fortunes of the human race, it might be said, without fear of disproof, the discovery known as the specie basis, the monopolization of which involves the absolute enslavement of human labor. The great discoveries that "have most advantageously affected the fortunes of the human race," are labor-saving machines, by which the human race is able to produce far more commodities than it consumes. Such discoveries have led to the vast production of wealth—the accumulation of commodities — that characterizes the present century. This it is that has called into existence and led to the development of the great modern system of credit, the *raison d'etre* of which rests upon the grand truth that man can produce more than he consumes, hence he is able to create a surplus; and by mortgaging a

part of his future he is able to bring into immediate use a portion of this surplus. In other words, he can obtain present satisfaction from the knowledge of his ability to produce, in a given time, more than the equivalent of that advanced. This it is that has made it possible for men, under free conditions, with trade, commerce and the medium of exchange unfettered by legislation, to supply themselves with abundance of commodities necessary for life and happiness. That labor must produce considerably more than is sufficient for its support, is a truth which scarcely needs demonstration. Since not the whole, but a part of mankind labor, and all must necessarily live upon labors' produce, each laborer must of necessity produce more than he consumes. Were this not so, rent, interest and profits could never have existed. Here, then, is the great and wonderful benefit that credit, properly utilized, bestows upon mankind. It is an instrument for assisting in the production of wealth by providing an advance of wealth. It is the means of life for those who are producing the means of life for others. "Credit has done more, a thousand times, to enrich nations, than all the mines of the world," said Daniel Webster.

We have now to see the effect of the credit system upon commerce. By far the greater part of the world's commerce is done on a credit, as

distinguished from a cash basis. A report from a representative house, referred to by Macleod, shows that "specie did not enter into their transactions for little more than 2%." This was on transactions of upwards of £1,000,000.

"A similar investigation instituted by some bankers, resulted in the fact that specie only entered into their operations to the amount of 4 per thousand."

It has been estimated that the amount of credit in use in Great Britain is at least the equivalent of twenty-five thousand millions of dollars ($25,000,000,000), the amount of coin and notes being about $600,000,000. In the United States not more than 3% of the business done is done on a cash basis. All this enormous creation of credit — stationary credit *— has been caused by the absurd restrictions which governments have placed upon the issuance of money. Industry, which is always naturally ahead of finance, demands a greater volume of currency than exists anywhere; and since money is monopolized, industry calls

* It will be understood that when speaking of credit in contradistinction to money I mean stationary-credit, money being circulating-credit. The former is usually insecure and not properly backed by sufficient wealth. It is this form of credit which is so uncertain, so dangerous, which economists condemn, but which is called into existence by the unjust privileges accorded to one particular commodity — gold — by law.

credit into play. In fact, were it not for the credit system, commerce and industry would decline to a point where it was a century ago.

John Law said: "The introduction of credit augments the quantity of money more in one year than a prosperous commerce would do in ten." It has been shown by J. S. Mill and others, that the effect of credit upon prices is the same as an increase of the volume of the circulating medium. Since credit affects the supply and demand of money, under present conditions, just as an increase in the amount of money would do, it is obvious that prices must be affected to the same extent. "In a state of commerce in which much credit is habitually given," says Mill, "general prices, at any moment, depend much more upon the state of credit than upon the quantity of money. For credit, though it is not productive power, is purchasing power; and a person who, having credit, avails himself of it in the purchase of goods, creates just as much demand for the goods, and tends just as much to raise their price, as if he made an equal amount of purchases with ready money."

So Macleod says: "It is the enormous creation of credit in modern times, in the form of banking credits and mercantile credits, which has so prodigiously raised the prices of products, and diminished the rate of interest, in the last two

centuries, in this and many other countries. It will be shown hereafter, that the quantity of credit which is used, and is in circulation in this country, is at least fifty times the amount of metallic coin. It is the quantity of credit in modern times, which chiefly determines the price of products; and variations in the quantity of credit produce more changes in the value of products than any variations in the quantity of gold and silver; and it is the abuses of credit which produce these terrible calamities, termed commercial crises and monetary panics, which we shall have to investigate afterward."

The cause of these calamities, however, as I shall hereafter prove, is quite the opposite of what Macleod and other economists would have us believe. It is not the abuse of credit that creates these calamities, it is the monopolization of money. It is the outrageous and unjust interference of legislators and governments with natural operations, that causes financial trouble; the attempt to compel people to do the impossible, viz., to transact the entire business of the nation upon a single commodity basis, which is artificially restricted and monopolized. It is the result of attempting, by the force of law, to redeem credits in one particular commodity, instead of in all; it is the futile attempt to drive the camel through the eye of the needle.

In the chapter on Price, I have shown the cause of the phenomenon known as a general rise and general fall of prices, which is due to the fluctuations in that which is used as the denominator of values. Referring to the example there given: tea is selling for 60 cents per pound, wheat 75 cents per bushel, iron 25 dollars per ton, silver 90 cents per ounce. Now, since the dollar is the common denominator of values, the price form of these commodities is as follows: —

Tea in pounds	Wheat in bushels	Iron in tons	Silver in ounces
0.60	0.75	25.00	0.90

1.00 (one dollar).

It is apparent that the values of these fractions vary inversely with the denominator. Now if by artificially restricting the supply, the value of one dollar should increase to two dollars, the above fractions are changed as follows: —

Tea	Wheat	Iron	Silver
.60	.75	25.00	.90

2.00

The price of tea is now 60-200 cents, or 30 cents per pound, instead of 60 cents. So the price of wheat has fallen from 75 cents per bushel to 37 1-2 cents. Iron has also fallen 50% in price, viz., from $25 per ton to $12.50 per ton, etc.

Thus the effect of increasing the value of the denominator, is to decrease the price of all commod-

ities; and if the denominator is increased 100% there is a general fall in prices of 50%. And conversely, a fall in the value of the denominator results in a general rise in prices. Now, to the general public, there is never apparently any change in the value of money; a dollar is always a dollar, it is never two dollars. Hence, to the average mind, a general fall or rise in prices is as mysterious as a shooting star, or the unknowable itself, and is popularly regarded as one of those "inscrutable mysteries of Providence." If the denominator decreases, prices rise, and this is supposed to be the result of a favorable "dispensation;" if the denominator increases, prices fall, and this is a judgment, "the result of the Almighty's displeasure!"

The effect of monopolizing and restricting the supply of money is, however, precisely the same, so far as it affects the purchasing power of money in relation to some one commodity, as the monopolization of that commodity. And as the "honest" money advocates make of money a commodity, the results are the same. A bushel of wheat is always a bushel of wheat, it is never two bushels. Yet we know that at one time we can purchase two bushels for the same sum that at another time we pay for one bushel. This is precisely the same with dollars. Whilst one dollar never becomes two dollars, the purchasing power of a dollar, at a

particular time, has frequently been equivalent to the purchasing power of two dollars at another time; so that whilst the denominator of values, the dollar, is *nominally* invariable, *its purchasing power* varies, and the effect on prices is exactly the same as contraction or inflation. Here is the insidiousness of our present monetary system. If money were expressed in units of purchasing power, possessed by it at one particular time and place, in reference to all commodities, such a system would register variations in the commodity which circulates as money. Then the general rise or fall of prices would be shown in the denominator. But as the dollar is the standard at all times, its fluctuations are registered in commodities, and instead of the dollar rising and falling, to the public it appears that it is commodities that are fluctuating, and that these fluctuations are due to the commodities themselves. The deception reminds one of the well-known illusion, described by aeronauts, who tell us that in a balloon ascension it seems as though the earth was falling from under them.

In the price form, therefore, the denominator is always APPARENTLY constant. It is always represented by one dollar, or numerically 1.00. *It is the numerators, the commodities that are seen to undergo the change.* Thus, tea drops from 60 cents to 30 cents per pound, and wheat from 75 cents to

37½ cents per busnel, whereas, as a matter of fact, these commodities have probably never changed one iota under the influence of supply and demand. *It is the purchasing power of the dollar that has actually changed; and if dollars were units of purchasing power, properly expressed, this change would be accurately shown.*

Instead of the price-form appearing, as shown on page 264, where the purchasing power of the dollar has increased, thus:—

Tea.	Wheat.	Iron.	Silver.
.60	.75	25.00	.90
	2.00		

it is always represented thus:—

Tea.	Wheat.	Iron.	Silver.
30.	37½	12.50	.45
	1.00		

Now the determinant of value is, as we saw when discussing the subject of value, the relation of supply to demand; and the causes of variations in the values of commodities, are variations in the supply of or the demand for commodities themselves. Where the demand for a thing increases, the supply remaining constant, the value increases; where it decreases, the value decreases. And *vice versa*, when the supply increases, the demand remaining constant, the value decreases; and when the supply decreases, the value increases.

Where the supply is kept always in excess of the demand, there is no variation. Where the supply is unlimited in comparison to the demand, value disappears. (I use the term here in the sense of purchasing power.)

Under our present system dollars are commodities, and are influenced by the laws of supply and demand. When the supply of dollars is constant and the demand increases, the value of dollars increases, and *vice versa*. When the supply of dollars is diminished by hoarding or by "cornering" gold, the value of dollars increases. Now money, being a species of credit, the artificial restriction of the supply of money naturally tends to bring into use personal or private credit. The natural wants of mankind are not to be suppressed or confined by any artificial restriction, such as a "specie basis," or a "legal tender" act; hence, through the limitation of that which should be unrestricted, a substitute is adopted and "enormous amounts of credits are piled up." The effect of this substitute is the same as an increase in the volume of money, and its tendency is to lessen its value. Further, the destruction of credit, which occurs every now and again, is precisely similar in its effects to the destruction or the "cornering" of money, the value of which instantly rises. The result is analogous to that which would occur by discovering a substitute for any commodity. The

destruction of credit is similar in its effect to dumping into the ocean so much coin. The contraction of credits of three thousand millions of dollars, is as disastrous to commerce and industry as the loss of that amount of money! Statesmen worry when gold leaves the country, but regard the contraction of credits with but little anxiety. The great concern of governments appears to be to facilitate the importation of gold in order to increase the volume of currency; but they are stupidly unconcerned when that which fills its place, and which is, after all, the main factor in exchange, is reduced or impaired.

It will be convenient at this place to point out the manner in which personal credit, although apparently a competitor with money, is made "its partner and associate in crime." Lest I may be thought to use words indiscriminately or inappropriately, let me ask the reader to reflect for one moment, what is summed up in the term "financial panic." Think of the thousands plunged into poverty and misery, the hundreds driven to suicide, to drunkenness, to crime, to insanity; the homes wrecked, the hopes blasted, the careers marred, and the agony and long suffering endured by tens and hundreds of thousands! If such effects are the results of "*a system*," does the term "criminal system" characterize it too severely? We speak of murder with feelings of horror; how ought we

to feel towards that which kills thousands, and drives as many to worse than death? We brand an incendiary as a criminal. What term is sufficiently adequate to describe a system that periodically confiscates millions of dollars of property? That a restricted currency resulting from the "specie basis," and governmental monopoly of money, is the cause of nearly all the world's financial panics, I shall hereafter demonstrate.

We have seen the effect of variation in supply and demand upon values. The greater the demand and the more restricted the supply, the greater the value of any commodity. The objects sought after in trade are, therefore, these two, viz:—

1st. To control the supply of a commodity.

2nd. To create a demand for it.

Now, decreasing the supply of a thing, when demand is constant, has the same effect upon its value as increasing the demand when the supply is constant, and *vice versa.* But if the demand can be increased and the supply suddenly decreased, the effect is enormously augmented. For instance, suppose the demand for an article, at one time, to be represented by 100, the supply being also 100; and suppose by means of an artificial substitute, demand and supply be increased to 10,000. Now by suddenly cutting off the artificial substitute, the supply is at once knocked down to 100, the demand still remaining at 10,000. The

appreciation in the value of that commodity can be better imagined than described.

This is precisely the effect of credit upon money. Credit is the artificial substitute for money. (I of course refer now entirely to our present monetary system. Under a scientific system, money and credit would be synonymous.)

The demand for money is always far in excess of the supply; hence, its substitute is called into existence, the first and immediate result of which is to lower the value of or the demand for money. Interest is less, prices are raised, and the effect similar to that of one competing commodity with another. But the commodity merchant always regards his competitor jealously and with impatience. He is ever ready to place obstacles in his path. Not so the commodity-money merchant; he looks ahead. He will even assist in "the piling up of these vast amounts of credit," notwithstanding that his interest is temporarily cut down by doing so. So long as these credits are built upon the *specie* basis, he knows that as surely as the sun rises, they can be swept out of existence as completely as if they had never existed. The greater their amount the greater the disproportion between the actual supply and the money demand, and consequently the greater the harvest will the money merchant reap when the crash comes.

These credits being redeemable in *specie*, are found too enormous for redemption. There is not enough *specie* in the world to redeem them with. *And now the operation of driving the camel through the eye of the needle begins. All that does not pass through the needle's eye, falls into the hands of the drivers.*

The makers of credit find themselves in the position of the Israelites, who were compelled to make bricks without straw.

They are driven to despair. The holders of specie carefully put it under lock and key, thereby increasing an already enormous deficiency. The demand remaining what it was when credits were in existence, the supply is cut down to less than that existing before the substitute was created.

The effect is aptly described by William A. Whittick.* He says: "This condition of things may be illustrated by an inverted pyramid. Those who control the apex of the pyramid, control the entire structure. This apex is gold, which, under a normal condition of things, might be disturbed with impunity, but which under present conditions unsettles the entire pyramid; in other words, the financial world controls the industrial world, instead of the industrial world controlling the financial." *The effect of credit is, therefore, to greatly*

* "The Cause and Cure of Panics."

increase the value of money whenever credit is shaken.

Credit is the fertilizer that serves to ripen the fruit which the money monopolists shake into their own hats. It produces a harvest which money alone could never produce. Credit changes the value of the denominator to an enormously greater degree than specie could possibly do.

Take the credits of Great Britain, estimated at from five to six thousand millions of pounds, whilst the legal tender in circulation is only about 120 million pounds. Supposing that only 10 per cent of the credit is redeemable in money. There are then 600 million pounds of credit, and but 120 million pounds, or one-fifth the amount required, to redeem it with. Now, so long as credit is unassailed and remains intact, everything works smoothly. Credits are redeemed with credits, extensions given, and a small amount of money serves to do a vast amount of work by circulating rapidly and by making credits redeemable at different times. But let the public confidence once become shaken, or fear become general through some cause, no matter how trivial, —such as the mere rumor that a bank is insolvent,—and there is an immediate desire to have credits redeemed. Instead of redeeming them with credits, or granting extensions, every creditor insists upon cash redemption. The demand

for money, heretofore satisfied with credit, is now centered on gold and will be satisfied with nothing else. Gold rises enormously; multitudes of persons are obliged to sell their goods at a sacrifice. Down come prices. Industry is paralyzed and parliamentary and congressional committees are appointed to enquire into the causes of the disaster. The men whose system is the cause of all the trouble are consulted. With learned ignorance they propound such theories as "over-production," "over-trading," "abuse of credit," "state-bank currency," "reduction of the tariff."

Their theories are seriously considered and acted upon. The country pulls itself together, and once more commences its sisyphean task of building another gigantic pyramid with its apex for a base. Such, in brief, is a synopsis of the financial panics that periodically afflict the world and which have puzzled legislators for the past two centuries, as completely as Haley's comet puzzled Popes Callixtus and Pius II.

Such results are wholly attributable to building industry upon an insufficient and false foundation. It is not "over-production;" it is not "over-trading;" it is not the "abuse of credit" that is the cause of panics; it is because the gold or specie basis (under which the monopolization of money by governments and individuals has been effected) is too narrow and too contracted on

which to build the world's industries. The building becomes top heavy. It is pushed into a position of unstable equilibrium by those who control the base, and down it comes. To say that there is general over-production or over-trading, is to say that people have more than they want, and that they are trading for amusement.

It is the wants of the people that is the cause of trading, and because of the monopolization of the medium of trade, they are actually compelled to make industry top heavy and unstable.

I have shown that money is, from the scientific standpoint, circulating credit, and credits that are not circulating are termed stationary credits. Now the channel of circulation is filled with these forms of credit, and in order that trade and commerce should be facilitated, it is essential that the material with which the channel is filled, be kept in circulation.

Like blood in the human body, it must circulate freely and unhindered to keep trade in a healthy condition.

The effect of legislation restricting monetary issues by taxation or otherwise, is to increase the amount of that class of credit which may be termed sluggish or stationary. It is circulated slowly and with difficulty. The demand for money being greater than the supply, recourse is had naturally to the medium of personal credits,

which are essentially sluggish. Hence the channel of circulation becomes choked, and circulation is hampered or entirely stopped.

We have thus a further illustration of legislation defeating its own ends. Ostensibly, legal tender acts and specie bases are for the protection of society; to provide the people with what the newspapers are fond of terming "honest" money. *In suppressing State and private bank issues by taxation, the government compels society to have recourse to a system of credit far more precarious than any State or private bank systems that ever existed. The loss occasioned by a sudden shrinkage of public credit, results in much greater evil and misery than any mere overissues of bank notes.*

The end to be sought by those who would prevent a repetition of the financial and monetary disasters of the past, is to free money from the artificial and burdensome restraints with which it is encompassed; to allow the people to attend to and satisfy their own wants in regard to money, as with everything else. The more plentiful the money supply, the less a baseless credit system will be used, until with an adequate money supply, this system finally disappears. The solution is not to make the industrial and commercial structure less bulky, but to broaden the foundation; to make the base proportional to the edifice. To use our former illustration, we must stand the pyramid

on its base if we would make it stable. Those who control the apex may then do their worst, they can never overturn business.

Commerce thus assumes its rightful position and becomes impregnable.

CHAPTER XVI.

ON THE ISSUANCE OF MONEY.

"So constantly have currency and government been associated," says Herbert Spencer, "so universal has been the control exercised by law-givers over monetary systems, so completely have men come to regard this control as a matter of course, that scarcely anyone seems to inquire what would result were it abolished. Perhaps in no case is the necessity of State superintendence so generally assumed, and in no case will the denial of that necessity cause so much surprise."

"That laws interfering with currency cannot be enacted without the reversal of State duty, is obvious; for either to forbid the issue, or enforce the receipt of certain notes or coin in return for other things, is to infringe the right of exchange —is to prevent men making exchanges which they otherwise would have made, or is to oblige them to make exchanges which otherwise they would not have made." *

* "Social Statics."

To the average man, a currency that has not the authority or stamp of government is inconceivable; and yet there is no good reason why communities should not create and control their own currency without the aid or intervention of governments, just as they incur debts or liabilities without such aid or intervention.

In the chapter on Credit, I showed first that the large proportion of the business of all commercial nations was done upon a credit basis; and second, that circulating credits constituted money in the strict scientific sense, and that whilst a large amount of personal credit was stationary, still a considerable proportion did circulate, and so performed all the functions of money. It therefore follows, that in spite of legislative acts, and in spite of the assertions of certain writers, that "law, and law alone, creates money," * *the greatest volume of money is now created by the people themselves, without the aid or knowledge of governments.* In fact, were it not for the power that individuals have of creating credit, the volume of the world's commercial transactions would be reduced to a mere fraction of what it now is. Whilst, therefore, as a matter of fact, the commercial world does create the greater portion of the world's currency, in the form of bills of exchange, drafts,

* Ed. Kellogg. "Labor and Capital."

credit notes, etc., the effect of the legal tender act and governmental interference, is to force people to build credit upon an unstable, insecure basis. The entire volume of commercial currency is built upon that of the government, so far as domestic exchanges are concerned, and is liable at any time to be overturned by the manipulations of those in control of the government currency. *The abolition of the specie basis would not abolish the evils of our pernicious monetary system, so long as the law makes a certain monopolized or restricted instrument a legal tender for the payment of debts.* The idea that governments must necessarily control the currency, arises partly from a misconception of their powers and functions, and partly from the erroneous but prevalent idea that governments are more trustworthy than their subjects.

The function of paternalism ascribed to governments, which nationalism and socialism seek to carry to its logical issue, is that which the advocates of governmental currency invoke in support of their contention. Such an attribute is, however, utterly at variance with the ideas of individual freedom and the natural growth of society. Nationalism and socialism would enforce an artificial, hot-house form of development, in place of allowing a natural growth by the removal of artificial restrictions. Experience shows that the morals

of governments are never superior to the morality of the majority of their subjects. Nay, they are often far inferior. The crimes committed by rulers, legislators and governments far exceed in number, cruelty and extent, those committed by individuals. How anyone who is familiar with the history of the coinage and currency of Europe, or acquainted with the financial history of the United States during the past fifty years, can imagine that the control of currency is safer in the hands of the governments of those countries than in the hands of the people, is astounding. The pages of history teem with the record of financial crimes and conspiracies of rulers and legislators against the people, who have at all times been the subjects of plunder. "In every country in the world, I believe," says Adam Smith,* "the average injustice of princes and foreign states, abusing the confidence of their subjects, have by degrees diminished the real quantity of metal which had been originally contained in their coins."

"The Roman *as*, in the latter ages of the republic, was reduced to the twenty-fourth part of their original value, and instead of weighing a pound, came to weigh only half an ounce. The English pound and penny contain about a third only, the Scotch pound and penny about a thirty-sixth, and

* "Wealth of Nations."

the French pound and penny about a fifty-sixth part of their original values. By means of those operations, the princes and sovereign states which performed them were enabled, in appearance, to pay their debts and fulfill their engagements with a smaller quantity of silver than would otherwise have been required. It was indeed in appearance only, for their creditors were really defrauded of a part of what was due them. All other debtors in the state were allowed the same privilege, and might pay with the same nominal sum of the new and debased coin whatever they had borrowed in the old."

Speaking of the debasement of English coinage, Macleod says: "The pound weight (silver) was divided into 240 coins, called pence or *denarii*, twelve of these pence were called a shilling or *solidus*, and, therefore, twenty shillings or *solidi* actually weighed a pound of silver bullion. . . . The sovereigns of these various countries were frequently in want of money to pursue their various extravagances. As they could not increase the quantity of the metal, they adopted the fraudulent plan of surreptitiously cutting the pound weight of bullion into a greater number of pieces, but they still called them by the same name. As they could not increase the quantity of the metal, they at various periods falsified the certificate, while they called the coins by the same name. Thus the quantity of bullion in each penny was

diminished. . . Edward the First began this bad practice in 1300, and coined 243 pennies out of the pound weight of metal; in 1344 Edward Third coined 266 pennies out of one pound; in 1412 Henry coined the pound into 360 pennies, and so it crept up until Elizabeth in 1601 coined the pound weight into 744 pennies. Instead of 240 pence, 20 shillings 1 pound, L.1., we have 744 pence, 62 shillings, 1 pound, L. 3. 2s."

In Scotland this depreciation of the coinage was carried to a much greater extent, whilst in France and Italy the depreciation proceeded twice as far as in Scotland. The abuse of the money monopoly has not been confined to kings or monarchial forms of government. We have many instances in the history of the United States, before and since the war, where the governments of both the states and the nation dealt fraudulently and falsely with the currency and the people. Under the protection of special laws, banks were chartered with authority to issue currency, and after certain years of more or less successful operation, were taxed out of existence by the very powers that gave them their rights; such as the free banks of Ohio, which were organized under the act of 1851, and were gradually driven out of existence by excessive taxation.*

* "Money and its Laws," H. V. Poor.

Instance also numerous state banks throughout the country, which under the 10% Federal tax were likewise driven out of existence. The repudiation laws of Mississippi and Virginia evidence the rascality of which republican forms of government are capable of perpetrating, in common with princes and sovereigns. In what is known as the "exception clause" currency, issued during the war, we have an example of a government forcing upon its citizens money which it had itself dishonored; whilst in the history of the republican legislation that brought about the demonetization of silver, and the contraction of the currency since the war, we have a record of as grave conspiracies against the welfare and happiness of the American people, as that of the Stuarts against the people of England, to whose crimes the Bank of England owes its origin.

All that is urged against the expediency of allowing individuals and private institutions to issue money, may be urged with equal force against governments. History fails to prove the latter to be any the less liable to dishonesty than individuals. Apart from the untrustworthiness of rulers, a still stronger reason for not permitting them to monopolize the issuance of money is, that the peculiar nature of money necessitates that it be entirely free from monopoly and monopolistic influences. *A restricted currency means restricted commerce,*

restricted commerce means restricted production, and restricted production means poverty, misery, disease and death.

The mere existence of a single body with power to control the mechanism of exchange, is in itself a menace to commerce. To control the mechanism of exchange is to control the entire business, trade and industry of a country; and it is impossible that the people can feel as safe and secure in their commercial dealings, knowing that one man or small body of men have the power to precipitate a panic by the mere exercise of their authority, as where this power does not exist. A nation whose currency is controlled by its legislators, is like a town built in the vicinity of a volcano. Its inhabitants never know at what period they may be enveloped in ruin. *An unanswerable objection to the governmental control of money is however found, when considering the function of money as a common denominator of values.* When treating this subject in the chapters on Price and Credit, I showed the necessity of having money free from fluctuation, and basing it upon an invariable unit of purchasing power. The evils of a specie basis were demonstrated by showing the way in which the common denominator of values was subjected to the manipulators of specie. Now the same evils are also liable to occur with any currency, no matter what may be its basis, *if it is*

controlled by the government. Such a currency would still be subjected to the manipulations of speculators and politicians, as at present. Observance of the *laissez-faire* doctrine should be, therefore, as obligatory on the part of rulers regarding currency as regarding trade.

The issuance of money should depend altogether upon business necessities, and should spring spontaneously therefrom. No individual and no body of individuals can pre-determine the amount of currency which a commercial people require for any given length of time. To determine this would be to determine how many dealings will be transacted. Left free to act, in the absence of any legal restraint, every community would arrange its monetary system in a manner satisfactory to itself and to the nation generally. That a general system throughout the country would speedily become established, one cannot doubt, who has witnessed the growth and combination of industrial organizations during the past few years. Witness, for instance, the unification and centralization of the telegraph systems, the express and transportation companies, railroad and steamship companies, bank clearing houses, etc. In fact, it is not too much to say, that if the governments throughout the world would repeal all laws regarding the issuance and tender of money, before very many years had elapsed we should witness the

introduction of a universal currency; money that would circulate wherever a medium of exchange was needed.

The difference between a monetary system established by law, and one without governmental authority, is that in the former case commerce is compelled to adjust itself to suit the system, whilst in the latter the system is devised to assist commerce. Monetary systems should be the natural outgrowth of trade. The manner in which credit is brought into existence, and made to perform the money functions, is an illustration of how money, in a community free from governmental interference, would be created. In fact, we may say that under free conditions, money and credit would become synonymous. Instead, however, of building upon a contracted and insecure basis, credit would become socialized, and would have the united and voluntary support of the entire community. Self-interest would compel men to join together in a system of mutual co-operation, so that the interest of each should be the interest of all. Credit would be based upon the productive capacity of the whole of society. Instead of a single commodity basis—a specie basis—credit would be built upon the broad basis of the entire wealth of the community, and would be redeemable in all commodities.

Consider for a moment the effects of a governmental monopolized currency. Circulating, as it

invariably does, through the channel of specially favored institutions, the industrial part of society is compelled to make terms with those controlling financial institutions. The law of self-interest inevitably leads one class to regard the other as its natural prey. To the money dealer, the industrial world is presented as his harvest field. To the tradesman, the banker appears as a necessary evil. Society is thus divided against itself, and class wars on class. A condition which, under free institutions would be one of co-operation, becomes a condition of warfare. The misfortunes of one part of society furnish the fortunes of another. The ill-winds of adversity to the masses, blow good to the classes. Monetary panics are harvest times for money merchants. Such are the inevitable results of a monopolized currency. That this must be so, few will dispute. This condition is irrational, inequitable, and productive of the vast amount of misery with which society is always afflicted. Under free conditions, society would be banded together to co-operate with nature in the production of commodities. Instead of promoting industrial warfare, society should unitedly war against what McCullough terms "the parsimony of nature."

Nations have long recognized the harm that the monopolization of commodities engenders, and have sought to prevent such evils by the enactment of laws prohibiting the formation of

trusts and combines. Attempts to monopolize wheat, copper, sugar and various other commodities, have been dealt with by writers and politicians as conspiracies against society. But the monopolization of money, the medium of exchange, is strangely regarded as essential to the welfare of society; *and yet money monopoly is a monopoly not merely of one, but of all commodities.* "You take my house when you do take the prop that doth sustain my house. You take my life when you do take the means whereby I live."

One fact must not be overlooked in this discussion. No monetary system can possibly be devised to work efficiently, in a society where its members are uniformly dishonest. This impossible feat legislators have been vainly attempting from time to time. They have accepted the doctrine of universal depravity and striven to devise a system suitable to their creed. Such a system, instead of making a necessity of honest dealings, achieves the very opposite result. By making the conditions for procuring the means of livelihood more difficult, men are compelled to resort to practices which, under more favorable conditions, they would never think of doing.

"Law" says Thoreau, "never made men a whit more just, but by means of their respect for it, even the well-disposed are daily made the agents of injustice."

Whilst no legislative system can make people honest, it can and does lead many to act dishonestly. Take for example the laws for the protection of industries. The number of crimes which the protective laws of nations are directly responsible for, are legion. The so-called crime of smuggling, which *per se* violates no rational or religious code of ethics, is a pure creation of these laws; whilst perjury is committed to an enormous extent by travellers, in order to evade the payment of what the majority of people instinctively feel to be an injustice. A United States Custom House officer recently remarked that he did not believe five per cent of the travelling public hesitated to swear falsely in a matter of declaring dutiable goods.* Again, by stimulating the greed and rapacity of manufacturers, in whose interests protective laws are passed, bribery and corruption are fostered. Legislators thus become corrupt and venal, and eventually the whole of society tainted and rotten. Ample evidence of this is given in the immense sums openly contributed by manu-

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* "But abominable as a lie is, perjury is still more abominable, for it adds sacrilege to mendacity, blasphemy to falsehood. Perjury is the abyss, the very nadir of moral crime."— Sermon by REV. DR. BOARDMAN.

[What must be said of a system that compels people to choose between committing perjury or submitting to robbery? — AUTHOR.]

facturers and bankers for the election of their representatives to political offices. All such legislative acts must necessarily have a demoralizing effect upon nations, and if continued will inevitably sink them to a depth of depravity from which nothing short of a revolution can raise them. Under a system where it becomes apparent that dishonesty endangers the peace and happiness of society, all would awaken to the necessity of regarding the slightest suspicion of dishonesty as a crime against himself. We should then cease to wink at moral crookedness, or regard it as an evidence of "smartness." In short, nothing tends more to check rascality than a healthy moral public sentiment.

In dealing with the moral aspect of the money question, Herbert Spencer says: "The monetary arrangements of any community are ultimately dependent, like most of its arrangements, on the morality of its members. Among a people altogether dishonest, every mercantile transaction must be effected in coin or goods; for promises to pay cannot circulate at all, where, by hypothesis, there is no probability that they will be redeemed. Conversely, among perfectly honest people, paper alone will form the circulating medium; seeing that no one of such will give promises to pay more than his assets will cover, there can exist no hesitation to receive promises to pay in all cases, and metallic money will be

needless. Manifestly, therefore, during an intermediate state in which men are neither altogether honest nor altogether dishonest, a mixed currency will exist; and the ratio of paper to coin will vary with the degree of trust individuals can place in one another. There seems no evading this conclusion. The greater the prevalence of fraud, the greater will be the number of transactions in which the seller will part with his goods, only for an equivalent of intrinsic value; that is, the greater will be the number of transactions in which coin is required, and the more will the metallic currency preponderate. On the other hand, the more men find each other trustworthy, the more frequently will they take payment in notes, bills of exchange, cheques; the fewer will be the cases in which gold and silver are called for, and the smaller will be the quantity of gold and silver in circulation.

"*Thus, self-regulating as is a currency when let alone, laws cannot improve its arrangements, although they may, and continually do, derange them.* That the State should compel everyone who has given promises to pay—be he merchant, private banker, or share-holder in a joint stock bank—duly to discharge the responsibilities he has incurred, is very true. To do this, however, is merely to maintain men's rights, to administer justice; and therefore comes within the State's

normal function. But to do more than this—to restrict issues, or forbid notes below a certain denomination—is no less injurious than inequitable. For limiting the paper in circulation to an amount smaller than it would otherwise reach, inevitably necessitates a corresponding increase in coin; and as coin is locked-up capital, on which the nation gets no interest,* a needless increase of it is equivalent to an additional tax, equal to the additional interest lost."

"Moreover, even under such restriction, men must depend mainly on one another's good faith and enlightened self-interest; seeing that by requiring the banker to keep sufficient specie in his coffers to cash all the notes he has issued, can *complete* security be given to the holders of them; and to require as much, is to destroy the motive for issuing notes. It should be remembered, too,

* It is unfortunate that Mr. Spencer has not given the same amount of study to and brought the same comprehensiveness of thought and keeness of perception to bear upon the money question, as he has upon almost every other branch of knowledge about which he has written. Perceiving as he does the immorality and injustice of governmental control of currency, he does not see that interest is the fruit of this unjust monopoly. I shall deal with this fully in the next chapter. This quotation is inserted merely for the ethical light which it throws upon this part of our subject. From the standpoint of monetary science, Mr. Spencer is altogether at sea.

that even now the greater part of our paper currency is wholly unguaranteed. Over the bills of exchange in circulation, which represent liabilities three times as great as are represented by notes, no control is exercised. For the honoring of these there exists no special security, and the multiplication of them is without any limit, save that natural one above mentioned—the credit men find it safe to give one another. Lastly, we have experience completely to the point. While in England banking has been perpetually controlled, now by privileging the Bank of England, now by limiting banking partnerships, now by prohibiting banks to issue within a specified circle, and now by restricting the amounts issued, while we have never rested for many years together without some new laws, some new regulations, dictated by the fancy and theory fashionable at particular periods, and while by constant interference we have prevented public opinion, and the experience of bankers themselves, adapting and moulding their business to the best and safest course,—there has existed in Scotland, for nearly two centuries, a wholly uncontrolled system—a complete free-trade currency. And what have been the comparative results? Scotland has had the advantage, both in security and economy. The gain in security is proved by the fact that the proportion of bank failures in Scotland has been far less than in Eng-

land. Though by *law* there has never been any restriction against *anyone* issuing notes in Scotland, yet in *practice* it has ever been impossible for any unsound or unsafe paper to obtain currency. And thus the natural guarantee in the one case has been more efficient than the legislative one in the other. The gain in economy is proved by the fact that Scotland has carried on its business with a circulation of £50,000,000 to £60,000,000; or, allowing for difference of population, England has required a currency three times greater than Scotland."

A question of grave importance is that concerning the redemption of money. Money, as we have previously seen, represents debt, and debts must sooner or later be paid. If the specie basis be abolished, how shall money be redeemed?

I have already stated that money should be redeemable, not in one, but in all commodities. Since money is the evidence of debt, the nature and functions of the one must be those of the other. Debts are obligations to pay goods or services. Now debts arise out of every conceivable transaction, involving every kind of commodity. When, however, payment is agreed to be made in money, it is with the view of enabling the creditor to acquire any commodity he may desire, instead of some one particular commodity; hence though payment is stipulated to be made in specie,

it is still with a view, proximate or ultimate, of acquiring whatever commodities the purchaser may desire. Considered, therefore, from its functional standpoint, money means payment in all commodities. In other words, it represents general purchasing power, and its final redemption is in all commodities, even though its road to redemption be through the narrow, golden gate of specie.

The desire to exchange commodities for gold is invariably owing to the fact that gold itself can be exchanged for any desirable commodity. The difference between money redeemable in specie and money redeemable in all commodities is, that the latter saves one step in the process, and is far more economical. It achieves its results *per saltum.* In the case of specie, the money is first redeemable in specie, and the specie redeemable in other commodities. The final results, so far as the objects sought after are concerned, are identically the same in both cases. The use of specie is, therefore, wholly unnecessary.

What, then, is necessary in order to constitute a safe monetary system? Merely the assurance that the holder of money may, whenever he sees fit, acquire whatever commodity he desires, to the extent of the purchasing power of his money. This is all that any system can do, and it is all that the specie system professes to do. Now,

since debts are contracted in all commodities, payments of debts are likewise made in all commodities. It therefore follows that all commodities should be monetizable.

There is no equitable reason why the owner of gold and silver should be afforded this privilege any more than the owners of copper, iron, coal, wheat, oil, or any other commodity. It may be urged, however, that since bankers will loan money on good security, irrespective of the kind of commodity, that commodities are now monetizable. Whilst this is in a sense true, the present restricted supply of money gives bankers a choice of the goods they are willing to monetize. It enables them, further, to exact an unreasonable amount of security, as well as to put a tax upon the loan. And finally, the cost of this transformation of commodities into money is so exhorbitant, that few resort to the practice short of compulsion. This, however, is not the monetization of commodities in the same sense that gold and silver are.

A further objection that will be urged is, that if money is issued on all goods alike, the money will become too "cheap," and its value will depreciate. This argument, which is plausible among the specie basis advocates, is an evidence of their failure to comprehend the true nature and functions of money. For instance, in an article entitled

"Financial History of the War," George S. Coe, president of the American Exchange Bank, New York, says:

"As the war progressed and the country became poorer, the currency increased, giving new instruments and facilities to expend, just in proportion as the means of payment were consumed. With a compulsory currency thus made the measure of prices, and daily deteriorating yet still increasing, is it strange that all other property was eagerly sought for in preference to this, and that prodigal expenditure became the law of the land?"

Was there ever a more palpable failure to comprehend the true function of money? The writer actually condemns a currency *because it facilitated exchange too well!*

As well might an engineer condemn a lubricant, on the ground that it reduced the friction of his engine too much! Further, *the desire to possess commodities instead of money, is the natural desire of healthy and sound commerce. It is, in fact, the very end and aim of all industry.*

In the chapter on Money Supply and Demand, I showed that money could scientifically fulfill its functions only when the supply was in excess of the demand, so that it should, *per se*, be of no value. *In other words, the solution of the money question is arrived at through the medium of what is termed cheap money.* To many, the statement that

money should be of no value, will appear paradoxical. I have already given an illustration of this assertion in a previous chapter, by instancing railway and theatre tickets as analogous to money. Let me give a further illustration. Paper currency, redeemable in specie, may be regarded from two standpoints. First, as money. Owing to the demand for money as the medium of exchange, and its limited supply, men will pay interest for its use, irrespective of the bullion which it represents. In this sense it is, *per se*, of value. Second, as the representative of so much bullion. It is the bullion that is of value and not the paper. The paper is merely the representative of value; for, to say that the paper is, *per se*, of value, is to say that a thing can be twice its own value. As the representative of commodities, then, paper currency is of value, and of value only so long as it carries with it the right to that which it represents. We have, therefore, in a paper currency issued upon and redeemable in specie, that which, passing as a single material thing, is in reality dual, possessing body and soul; having two distinct prices, one for its body, another for its soul. It has its money-price and its commodity or bullion-price. Now *it is in the first sense, I contend, that currency should be of no value.* It is entirely owing to a restricted supply that an inconvertible paper currency can be made arti-

ficially valuable.* Money should necessarily represent commodities, since it represents debts or credits; but as the mere medium of exchange, as a means for facilitating commerce, it should be wholly unrestricted, and consequently of no value. The inevitable result of allowing all commodities to be monetized, would be to make money free. As the representative of certain commodities, it would of course be redeemable in commodities, and would circulate freely. Under such a system, no one with commodities could be prevented from obtaining money. Interest would, therefore, die a natural death, for no one would pay for that which was within the reach of all. The result is beyond dispute. *Money upon a scientific basis means the abolition of interest. To that consummation science unerringly points.* I shall defer the treatment of the interest or usury question to another chapter. The question as to the issuance of money may, therefore, be briefly summed up as follows:

The nature and functions of money necessitate that its creation and redemption be governed

* This is the fallacy of greenbackism. It takes the worst and most dangerous feature of a restricted currency as a foundation upon which to build commerce, and places it in the control of what—in this country—experience has shown to be—an ignorant, depraved, dishonest class of men—the politicians.

solely by the phenomena out of which the need of it arises, viz., exchange. And since exchanges arise out of the wants and caprices of mankind, the number and extent of such exchanges which will take place during any future period, are beyond the power of human intelligence to estimate; likewise the amount of money necessary for facilitating such exchanges.

The fundamental condition essential to the growth of trade, and the production of wealth in a nation, is freedom. And in order that trade may be unhampered, the means for effecting exchange must be unhampered. The medium of exchange must necessarily, therefore, be free from the control of both governments and individuals. Since governments cannot determine the commercial needs of the subjects whom they govern, their interference with commerce, or the medium of commerce, cannot fail to create trouble and work injustice. Governmental control of the issuance of currency, means a restricted currency. A restricted currency is the parent of interest, a menace to commerce, a brake upon the wheels of industry, a hinderance to the production of wealth, the instrument of oppression, the source of misery, disease and death. Governments cannot exercise the function of controlling the currency without violating the one function by which their right to existence is generally recognized, viz., the adminis-

tration of justice. The issuance of money must be free, in order that industry and commerce may be free; and commerce must be free in order that the people may be free. Freedom to life necessitates freedom to maintain life, and this involves freedom of exchange.

Denial of free money is, therefore, a denial of freedom to life.

St. Gregory of Nyssa, the immortal thinker of the fourth century, wrote these lines:

"He who would give the name of robbery or parricide to the iniquitous invention of interest would not be very far from the truth. What, indeed, does it signify if you have made yourselves masters of the wealth of another by scaling walls or by killing passers-by, or if you have acquired what belongs to you by the merciless method of the loan?"

If any one had prophesied to St. Gregory as follows:

"A day will come when what thou treatest as robbery and assassination will become the law of the world, and when an Attorney General will indict in an assize court the writers who share thy opinion. The whole of society will be founded upon usury. They will build a temple which they will call a stock exchange. This temple will fill the place of thy cathedrals, even as thy cathedrals have filled the place of the temple of Venus or Jupiter. The priests serving in this new temple will be called bankers, stock-brokers and financiers. They will swindle others out of all the gold that will insure to them omnipotence. They will buy everything that is buyable, and some of

the things that are not. And vain revolts against their frightful empire will serve only to make more manifest its terrible solidity!"

If any one had prophesied that to St. Gregory, St Gregory, who believed in God, would have joined his hands and cried: "Lord, deliver us from such a moral malady!"

The malady has run its course.*

* M. de St. Auban's defence of Jean Grave.

CHAPTER XVII.

USURY.

"Usury bringeth the treasure of a realm into few hands." — LORD BACON.

"A free government cannot long endure where the tendency of the laws is to concentrate the wealth of the country in the hands of a few, and to render the masses poor and dependent." — DANIEL WEBSTER.

"Thou shalt not lend on usury to thy brother; usury of money, usury of victuals, usury of anything that is lent upon usury." — DEUT. XXIII. 19.

In considering the subject of interest, I prefer to deal with it as a branch of the general term usury, since by so doing a much better and more comprehensive idea of its operations and its effects may be obtained, than by treating it as a separate and independent factor of distribution. Usury, which proceeds from the Latin "usus," to use, signifies the payment for the use of anything. Wherever payment is exacted merely for use, that, properly speaking, is usury. Thus rent, as payment for the use of land, is usury, and interest, as pay-

ment for the use of money, is usury, irrespective of the percentage charged. Jurisprudence, or as it is sometimes more appropriately termed, jurisignorance, has created a fine distinction between the two terms, a distinction that exists rather in name than in principle. As a legal term, usury is excessive interest; that is, a rate beyond that fixed by law, and its exaction is made a crime. As this legal rate differs in different states and countries, and at different times in the same country, it is necessary, not only to consult the statutes, but also the map, in order to discover whether one is perpetrating a crime or not. The only difference between interest and usury in law, is a difference of percentage. I shall use the word usury as a general term denoting payment for the use of anything, whether the thing be land, money or capital. Interest is commonly applied to the use of money and capital, and rent as payment for the use of land. Interest, like all usury, is the price of monopoly. Its existence depends absolutely upon a restricted and insufficient currency; that is, a currency for which a demand is always far in excess of the supply, for no one would pay for that which was within easy reach of all. Now we have seen that a currency issued upon a scientific basis must necessarily be unrestricted. Interest is, therefore, antagonistic to a satisfactory solution of the money question.

In discussing this question, one finds it difficult to determine with which science it is more at variance, ethics or economics. Consideration has already been given to its moral phase, in the opening chapter. I purpose treating this aspect of the case more fully, and demonstrating its utter incompatibility with any true system of economics. Whilst at first sight, as a factor of distribution, it seems superfluous, closer investigation will make it appear incomprehensible that economists should regard it as a necessary factor, for a tax upon use is a deterent from using. The higher the tax, the less willing and the less able are people to use; and any tendency to discourage the employment of the factors of production, is naturally opposed to economy.

Interest is, therefore, opposed to the economic production of wealth. In the chapter on Credit, I have shown how a restricted currency tends to augment the volume of credit. That interest is also a cause of the "piling up of vast volumes of credit," is evidenced by the fact that everyone, as a rule, uses his credit in purchasing commodities before borrowing money. In fact, credit is ordinarily employed to avoid the burden of interest. That the system of interest is opposed to every economic principle, is likewise evidenced by the manner in which the laws of all civilized nations regard the subject. All countries have

established legal rates of interest. To exact more than these is punishable by fine or imprisonment, or both. Why is this? If interest is an economic factor in a system tending to the wealth and happiness of society, why is it necessary to set a limit upon its field of operation?

If six per cent tends to social weal, why does not ten per cent tend still more so? If the growth of social wealth is stimulated by a certain percentage, will it not be stimulated much more by a higher rate? Or is production excited in a gradually increasing ratio, reaching its maximum under a five per cent rate in England, six per cent in Eastern States, seven per cent in Canada, eight per cent in the West, and declining thereafter? Experience does not prove that high rates of interest tend to facilitate production in the slightest degree.

It is in times of panics, when business is becoming paralyzed, credit crumbling and men are going into bankruptcy, that money commands the highest rates. It does, however, happen that a revival in business is accompanied often by a good rate of interest, owing to the increased demand for money; but no one would say that the latter was the cause of the former, any more than they would say that a brake was the cause of a wheel's rotation. The fact is that interest is universally recognized as a burden upon industry,

a burden tolerated only so long as society is able to bear up under it, and this is made possible only so long as the tax is kept down to a certain point. Paradoxical as it may appear, it is nevertheless true that the laws against usury are, to a certain extent, for the protection and maintenance of those who live upon usury. Usury tends to self-destruction. Extend it, and it "kills the goose that lays the golden eggs," it dries up the source that supplies it with the means for its existence; for since all wealth is the product of labor, usury of every description must be furnished by labor, and unless the remuneration of labor is sufficient for its own support it must eventually cease, with which rent, interest and profits would cease. There is, therefore, a natural limit set upon usury.

Now the rapacity, greed and ignorance of many individuals would recognize no bounds short of that which force and oppression could exact, a condition which no one would or could submit to for any considerable length of time. Such men would pull down the entire structure that provides them all with shelter.

It is to the interest of usurers that society should produce wealth, for like parasites or potato-bugs, their existence depends altogether upon that which they are constantly destroying by feeding upon. Their demands must, of necessity, be kept within such lines as will permit a

certain amount of progress and a certain degree of prosperity to the country. Moderation becomes, therefore, the law of self-preservation. The tendency, however, is always towards the boundary line, which barely gives to labor the means for reproduction. This tendency is inherent in the system itself.

Further consideration tends to show the natural antagonism which the system of usury constantly exerts towards sound economic principles. The constant desire of mankind is to avoid as much as possible a condition of labor, a condition which is not only natural, but absolutely essential for enabling mankind to reach the highest state of happiness. Now any system that tends to lead men out of this condition and away from the field of production, is contrary to economic laws. For this reason the poor laws and all forms of State aid to paupers have been universally denounced by economists. This is precisely what the system of usury does. It presents a scheme which encourages every man to accumulate wealth as rapidly as possible, irrespective of means employed or methods pursued, so that by placing it at interest he may cease producing, and reap his share of the harvests for the rest of his life, just as if he continued to labor. Nay, more, it enables him to leave his family in the same condition, that his children need not toil, nor their children, and so

on from generation to generation. It is a siren that is constantly alluring producers away from production, and making them non-producers. It leads to hereditary pauperism. The result is, that everything is sacrificed to the immediate concern of hastening to get rich, of reaching that condition of "independence," by which society is compelled to furnish subsistence without obtaining its equivalent in production. *Wealth is wholly unproductive. Man and nature are alone productive. No accumulation of wealth, however great, can support life indefinitely.* If the wealth owner refuses to work, others must perform not only their own share, but his also. *No man can live without labor performed for him or by him.* No matter what the political system may be under which we live; no matter how honorable men may regard that class who live without labor; no matter how society may strive to disguise the truth, *science tells us that society is made up of three classes: producers, paupers and thieves.* No intricate system of laws, by which bodies of men are enabled to enjoy life without labor, can alter this fact.

Every individual taken from the field of production adds to the labor of those remaining. For, as shown in the chapter on Wealth, human subsistence must be constantly reproduced. There is no such thing as storing the necessaries of life for any great length of time. All wealth is naturally

perishable. This mad rush for individual wealth, which the system of interest is largely responsible for, has had an effect on society which no one can forsee the eventual result of. It has led to extravagance in the use of nature's bounties which mankind cannot make good for ages to come. Witness the exhaustion of our virgin soil, the shamefully wasteful destruction of forests, the exhaustion of gas-wells, of collieries, the pollution of lakes and rivers, and consequent destruction of fish and vegetable life. These and other sources of supply might under just economic conditions have been conserved, and by replanting with seed and material, nature would, in time, have reproduced what was used up, so far as animal and vegetable life is concerned.*

This desire for the creation of sudden and immediate wealth, begotten of usury, is invariably attended with the destruction and depletion of the factors of production themselves. It is the constant and uninterrupted production and reproduction of wealth that economy teaches us is the true

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* Professor Alvord, of the Agricultural College of Maryland, in an address to the American Association for the Advancement of Science, New York, in Aug., 1887, said: "There is annually taken from the soil of the United States alone $1,440,000,000 worth of nitrogen, one-half of which is never returned." We are therefore depleting the soil at the rate of 720 millions of dollars annually!

end to attain, since this is conducive to the natural growth and stability of society.

The passion which the desire for usury engenders, is constantly urging men to deprive the factors in production of as much of the products as is consistent with bare existence. It is always tending to push wages to the lowest possible scale,* and to reduce the proportion allotted for renewing land and capital employed in production, all such expenditures being regarded as unproductive, in the sense of not drawing interest.

The result (as I have shown in the opening chapter), is to decrease the amount and weaken the powers of the agents in production. In fact, were it not for the rebellious nature of the labor machines, and their tendency to strike, wages would go lower and lower until reproduction became impossible.

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* Gallipolis, Ohio, April 21.—The miners at Minerton, twenty miles north of here, went out on strike at noon today, as will every coal digger in the Hocking Valley. One of the leading miners at Hawks Station said to a *United Press* reporter:—"I have never seen as discouraged a set of men as the miners of this neighborhood have been since the last reduction was made. They know it matters not how steady they work, they cannot make enough money to keep a small sized family in the necessary food, and they have concluded that if they are to starve, they prefer doing it at once and not by degrees."—*Philadelphia Evening Telegraph.* April, 1894.

What countless evils this system inflicts it is impossible to conceive, let alone describe.

In oppressing labor and preventing the laboring classes from rising to a better condition, it serves to defeat the very end which political economy has in view. Wealth cannot be spent more productively, more economically, than in improving the condition and efficiency of land and labor. A system that tends to neglect this duty, or that presents other objects of greater consequence, is a system of wealth-destruction, of political extravagance.

Adam Smith recognized the importance to a community of duly regarding the condition, skill and talents of its members. "The acquisition of such talents," he observes,* "during the education, study or apprenticeship of the acquirer, always costs a real expense, which is a capital fixed and realized, as it were, in his person. These talents as they make part of his fortune, so do they likewise of that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade, which facilitates and abridges labor, and which, though it cost a certain expense, repays that expense with profit."

In connection with this McCulloch remarks:

* "Wealth of Nations."

"Instead, then, of being entirely overlooked, as is most frequently the case, the dexterity, skill and intelligence of the mass of its inhabitants ought to be most particularly attended to in estimating the capital and productive capacities of a country. Much stress is uniformly and justly laid on the comparative power and efficacy of the machines which man has constructed to assist him in his undertakings; but man is himself the most important of all machines, and every addition made to his skill and dexterity, is an acquisition of the utmost consequence. The discrepancies that actually obtain in the physical organization and capacities of the various races of men, are comparatively trifling. And yet, how vast is the difference, in an economical point of view, between an American Indian or an African, and an Englishman or a Frenchman! Lord Bacon's aphorism, that *knowledge is power*, is true as well in a physical as in a moral sense. It not only enables individuals to attain an ascendency over their less instructed neighbors, but it makes immeasurable additions to their productive capacities. An ignorant and uneducated people would, though possessing all the materials and all the powers necessary for the production of wealth, be sunk in poverty and barbarism. And until their mental powers had began to expand, and they had been taught to exercise the empire of mind over matter,

the avenues of improvement would be shut against them, and they would neither have the power nor the wish to emerge from their low and degraded condition."

The remuneration to labor must, therefore, be sufficient (in order that society may progress) to not only provide subsistence, but means for properly nourishing and educating the wealth producers' children, and enabling them to acquire knowledge and skill useful in production; and the greater the degree to which this is carried out, the wealthier must such a society become, to say nothing of the moral aspect of the case. Usury tends to decrease the wealth productiveness of nations by withdrawing individuals from the field of production, and by depriving the factors of production of a part of that which should be employed in their support and betterment.

I shall now show that not only is the system contrary to scientific laws, but that, as a continuous or a universal system, *it is impossible;* that it can not and does not work for any long period uninterruptedly; for that system asserts that all capital increases in a continuous and regular system of progression for all time. Setting aside, for the present, its utter variance with nature's laws, it is easy to demonstrate by facts its absurdity; *for the growth of usury is greater than the growth of wealth.* For instance, had our

ancestors of five hundred years ago mortgaged the earth to some capitalist for $1,000 at five per cent interest, and allowed the interest to accumulate and draw interest, the descendents of that capitalist would to-day not only own the entire globe, but the rest of mankind would be hopelessly bankrupt. Had the Pilgrim Fathers invested the little capital they brought from the old world on a three per cent usury basis, the people of this country would owe them far more than all the wealth of the North American continent.

"Suppose," says Proudhon,* "that a man in the reign of St. Louis had borrowed 100 francs, and had refused — he and his heirs after him — to return it. Even though it were known that the said heirs were not the rightful possessors, and that prescription had been interrupted always at the right moment, nevertheless, by our laws, the last heir would be obliged to return the 100 francs with interest, and interest on interest, which in all would amount to 107,854,010,777,600 francs; which is 2,696 times the capital of France, or more than twenty times the value of the terrestrial globe!"

"Suppose, when Virginia was settled in 1607, England had sold to the first settlers the whole of the United States for $1,000 and had taken a

* "What is Property?" Humboldt Series.

mortgage for this sum covering the whole property, but instead of paying the interest yearly at seven per cent, the settlers had agreed to take up their bonds at the end of every six months and add in the interest. Allow the $1,000 and the accruing interest to remain outstanding until 1860, and then become due. Although our prosperity has far surpassed that of any other nation, yet our property of every description would not pay the debt. Interest at seven per cent doubles the principal in ten years and one month. In 100 years and ten months the debt would have amounted to $1,024,900; and in 201 years and eight months to $1,048,576,000. Add fifty years and five months to 1859, and the sum would amount to $33,554,432,000. *All the interest which would have accumulated upon the $1,000 would not have increased the quantity of the money or the property of the nation. All the increase of the value of the property would have been added by the labor of the people; but all their surplus earnings have not equaled the legal accumulation at seven per cent interest on $1,000 during this period.*" (Ed. Kellogg.)

But it is not necessary to go back so many years to show the impossibility of usury as a scientific principle. Usury is always increasing more rapidly than wealth. It knows no period of depression, no time of stagnation, no failure of crops, no unfortunate speculations, no condition of ill-health

and inability to produce. It forever goes on as regular as time, and as relentlessly as gravitation, counting and adding to men's burdens, piling them higher and higher, until the load becomes too great and they fall, crushed by the weight of its oppression. No system of production has yet been discovered capable of maintaining this regular, never-failing supply which usury demands.

All forms of wealth production have usually been fitful, irregular, and subject to fluctuations. One season's harvests are abundant and the next a failure. This year's fruit crop may prove enormous and the next spring's frosts may kill all the blossoms. The consequence is that though for a limited period production may make rapid progress, yet, like the hare and the tortoise, usury invariably overtakes and keeps ahead of production. *For years past usury has been far in excess of the ability of nations to meet its legal demands. The consequence is that bankruptcy is general throughout the civilized world, and to-day insolvency faces the people of almost every nation on earth.*

"The borrowed capital of this country," says a writer in the *Arena*,* "claims more in remuneration than the country can produce. Every dollar invested in business claims a return called in-

* I. W. Bennett in March No. 1894.

terest. Every dollar representing debts unpaid, claims a like remuneration. This must all be paid out of the production of each year, and from each year's product men must be fed and clothed and sheltered. The wealth of the world must be kept up. Buildings, machinery, everything must be kept in repair; and improvements for use in the future must be taken from the stock of the present. There is not wealth enough to meet all these obligations, and the business of the world must go into the hands of a receiver every now and then, so that a new start in business may be made. The country, with all its allied industries, is analogous to a mammoth business concern. When it contracts greater liabilities than it can meet it fails, and we have a financial panic.

"This state of bankruptcy is chronic. Counting everything, the liabilities of the country are always greater than its assets. The industrial world is always in a state of potential bankruptcy, but credit tends to keep it out of the hands of a receiver. Then the same persons are in part debtors and creditors, and this, with our frequent liquidations, aids in keeping us from continual financial panic. Any disturbing of credit precipitates a crisis.

"An odd proposition, but one capable of mathematical demonstration, is that the very foundation principles of our industrial system lead us to

recognize obligations which we can never pay. A simple, specific statement of what they are compels us to admit that they are too large to meet.

"The present wealth of the United States may be placed in round numbers at $72,000,000,000. That fully eighty per cent of this sum pays interest may be verified by any person who cares to give the subject thought. If any of the money in business bears interest, all money invested in business must likewise bear interest, otherwise nobody would assume business risks. But we may arrive at the same conclusion by a process quite different.

"Something like eighty per cent of the wealth of the country is in the hands of about 250,000 persons, or about one two-hundred-fortieth of the population. This excludes the wealth of well-to-do farmers and merchants; and it goes without saying that nine-tenths of this wealth held by the immensely rich is interest-bearing. Nearly all of it is lent, or if not lent out is invested in some business where interest on the money invested is added to the return or profits of the undertakers. The wealth in the hands of farmers and merchants is paying interest on all that is not used for the personal wants of themselves and their families; and even many of the homesteads of the country are paying interest. . . .

"At least one half of such wealth is interest-bearing. An examination of the mortgage lists of the several states will more than bear out this estimate. We are, then, paying fixed charges, as the railroads put it, on about $55,000,000,000 of the country's wealth. The net rate will average five per cent; and taking into consideration commissions and other charges, six per cent is a low estimate of the gross rate. The interest on $55,000,000,000 at six per cent is $3,300,000,000 per year. To get the average interest charges for the last decade we must take the average of interest-paying capital, which is about $50,000,000,000. We have, then, an average yearly interest of $3,000,000,000, a sum which more than absorbs the entire yearly increase of wealth in the United States. During the last decade the wealth of this country has increased about $22,000,000,000.

"During the same period the interest charges were $30,000,000,000. Adding but the single item of interest on personal business obligations to the standing debt of the people, the assets of the country's citizens will, in the short period of ten years, fall $8,000,000,000 below their liabilities. The principal falls due in that time, and the business of the country, if fixed in the hands, would bankrupt in that time. It does actually feel the shock. But the fact that many persons are creditors as well as debtors, and the debtors

and creditors change places, puts off the final accounting. The tendency of the enormous fixed charges on business is to amass the wealth of the country in the hands of large property owners, who are almost exclusively creditors.

"The mightier the fortune, the more interest it draws and the more exempt it is from the dangers of speculation.

"Fortunes go on piling up under the laws of interest, and after all checks and counter-tendencies are allowed for, the country has a panic—becomes bankrupt—every twenty years.

"There is a well-defined financial flurry of more or less violence, every decade, or even oftener. The fact is that whenever the creditor class demands its money there is a panic, for there is not money enough in the country to satisfy the demand, and all property must be turned over to meet liabilities. Indeed, the cash in the country is principally in the hands of the creditor class, having piled up there under the laws of interest.

"During times of confidence business is kept moving by a shifting of liabilities, but in times of doubt and uncertainty, from whatever cause brought about, the business of the country finds it impossible to meet its obligations and is obliged to file into bankruptcy. The cleverest of speculators cannot long keep up their business by

borrowing from one to pay another, unless debts are very small as compared with the capital invested. Just so the business of the country, taken as a whole—the piling up of debts always ends in collapse. It is nonsense to say that want of confidence is the cause. Unless the ground principles of business produce instability, want of confidence can have no effect. Men realize that the business of the world cannot pay its debts, and therefore lose confidence."

The absolute oppression which a system of compound interest engenders, has led to its abolition in most nations, by law. Now if simple interest is just, why is not the former? The principle is identical. Wealth paid as interest bears on its face no stamp of usury, and is as well fitted for investment as any other wealth. If compound interest is unjust, then simple interest is equally unjust. There is not the slightest difference in principle. Now I have shown that compound interest is impossible; that it tends to accumulate faster than wealth can be created under its yoke; and since all interest is a part of wealth and likewise capable of drawing interest, it follows that the principle of interest is, economically speaking, impossible. It may be asked, does not the system exist, and why is it continued if it be an impossible system? The answer is, that as much of it as now exists does so by force of law, and is

fostered through ignorance. In every civilized country the legislative, judicial and administrative branches of government, that is to say the entire machinery of governments, is in the hands of usurers, those who live by rent, interest and profits. In no civilized country does one find the laws made or administered by the actual wealth producers. In the next place, the system has never worked for any considerable length of time without a break-down.

Now, a scientific principle is one which is universally applicable to the phenomena with which it deals. The greater the field over which it operates, the more is its truth and exactness established. Usury, on the other hand, becomes impossible as soon as applied universally or over a considerable period. It is only applicable on a small scale or for a limited period.

Every certain period there is a universal break-down; panics and bankruptcy become world-wide; interest-bearing wealth is swept away, and equilibrium is restored only after interest-bearing capital has been greatly reduced. *In fact, capital is being constantly devoured to pay interest on other capital.* Here is a builder whose vacant house refuses to pay the ground rent; finally the house is seized for the rent. There, a manufacturer, unable to pay the interest on borrowed money, is compelled to assign his machinery, buildings and

grounds to the usurer. This is of such ordinary and every-day occurrence that it excites no comments and scarcely any notice; yet it is only by the continual destruction of capital that rent and interest are maintained. *Wealth under usury devours itself. Startling as it may seem, it is an indisputable fact that panics, bankruptcies and failures are absolutely necessary in order to keep alive the system of usury.* Wealth cannot be produced at a sufficiently rapid rate to meet its demands; hence capital, after devouring its own children, devours itself. What monster in fable or history can rival this modern monster known as usury? The first capital sacrificed to this Moloch is that which is the least strongly intrenched. It is the small capitalist who goes under first, then the next, and so on, until the wealth lent on usury is reduced to balance production. The most strongly intrenched is that which devours the less powerful. By this means national debts and government bonds bear interest in times of greatest panics and business depression; and this is why they are considered the most desirable and safest kind of investment. Usury, like gravitation, causes large bodies to attract and eventually absorb smaller ones. The small capital of individuals is being constantly absorbed by the greater capital of corporations. This is its inevitable tendency. The forces of attraction and

absorbtion are as strong, constant and relentless in the monetary as in the physical world.

"Usury," says Lord Bacon, "bringeth the treasure of a realm into few hands."

Usury is suicidal, and abstinence leads to death. The more abstinence is practiced, the more capital is piled up; the more capital, the greater the amount swallowed by interest; the greater the volume of wealth taken on interest, the heavier the burden on labor; and the heavier the burden upon labor, the less wealth labor is capable of producing. Usury is, therefore, its own destruction. *Abstinence leads to stagnation; consumption to wealth production.* Consumption of wealth by the factors of production increases productiveness. Abstinence is unnatural, wasteful and contrary to sound economic laws. "There is that scattereth," says the wise man, "and yet increaseth; there is that withholdeth more than is meet, but it tendeth to poverty."

The difficulty economists have experienced in justifying usury is nowhere better shown than the way in which Bastiat's illustration has been made to do universal duty. So often has it been quoted that one is almost led to believe that the right of usury stands or falls with its verification or disproof. The story concerns two carpenters, James and William, one of whom, at the expense of ten days' labor, produces capital in the shape of a

plane. The other, for some unaccountable reason, instead of making a plane borrows his neighbor's, proposing at the end of twelve months to return him a new one. To this James, the capitalist, objects, on the ground that by lending it he deprives himself of the advantage its use affords in lightening his toil, and for which he is entitled to compensation over and above the return of a new plane. He demands, additional to the new plane, a plank. The agreement is concluded, and at the end of the year James receives a plane and a plank. He lends the plane again for another year, receiving another plane and plank, and continues to lend, year after year, until his son becomes possessed of the plane, and he in turn acts the part of capitalist by lending the plane on interest. This annual gift of a plank is called by economists a natural and just remuneration for the "power which exists in the tool to increase the productiveness of labor." William, the borrower, is said to be no worse off than if he had not borrowed the plane, since its use has made his labor more productive. This is substantially the celebrated argument of Bastiat, that has been cited thousands of times as a clinching demonstration of the justice of usury.

Would to God the system could be as easily and effectually annihilated as this weak and stupid argument!!

It will be noticed that the illustration puts the very best phase on the creation of capital. It is the carpenter who, by his own labor, makes his own capital. This is not illustrative of the modern plan. Carpenters are now-a-days hired to make capital for others, never for themselves. However, to return to the story. Its refutation is contained in its want of probability, its absurdity. Why should James lend the only plane he has? He made it to use. What is he going to do without it? Make another? Then who supports him while he is making planes? Again, William is also a plane maker, since he must make and return a new one at the end of the year. Why does he not make one at the beginning of the year and avoid borrowing? Why cannot William turn capitalist? The illustration is absurd on its very face. Men do not lend that which they have themselves immediate use for. It is the surplus wealth that is converted into capital, not that necessary for immediate consumption. In order to make the story analogous to that which it is intended to illustrate, James should have at least two or more planes for which he has no immediate use; in which event his demand for a plank in compensation for *the loss of advantage which the use of a plane affords him*, is nonsense. He is merely lending that which he has no use for; hence, the act of lending entails neither loss, deprivation, nor

inconvenience of any sort. He gets back a new plane and is no worse off at the end of the year for having made the loan. On the contrary, he is much better off — better in several ways. First, in receiving a new plane he preserves its value. Were he to keep his own it would gradually deteriorate. The wood might warp and split, the steel rust, and ultimately the plane become useless. Second, by lending, he helps William. William is a member of society just as James is, and the condition of society is dependent upon its members. The more William advances, the better for society and the better for James. The condition of individuals affects society, and the condition of society reacts on all its members. This fact the gospel of selfishness is utterly blinded to, notwithstanding its vast economic importance. Third, James, although a carpenter and a capitalist, is supposed to be a man. A man is a being possessed of feelings and sympathies; hence he will be gratified in being able to assist William, especially since it costs him nothing. He will therefore be a gainer morally and materially. Current political economy entirely loses sight of the fact that under the terms capital and labor, it is really dealing with flesh and blood and not with machines.

If James finds no satisfaction in helping William, and in promoting the welfare of society, he

is not a fit nor useful member, and the sooner he, and his kind, die out, the better for society. A system that tends to encourage and promote the growth of such a useless class, is altogether contrary to the development of a higher and better condition of things. It is a system that perpetuates the survival of the least useful members of society. And here is the root of the whole system of usury. It springs from an anti-social spirit — a spirit of the meanest and most despicable form of selfishness. *Usury is not the payment for loss of advantage which the usurer suffers by depriving himself of the use of the thing lent, it is a tax upon the advantage which the borrower is assumed to derive.* Its spirit is that of petty jealousy, of envy — that "eldest-born of hell."

Our modern usurers never urge their own deprivation by lending, in justification of their demands for usury. It is the advantage such a loan will be to the borrower that they figure on, and it is this that governs their demands; hence they strive to increase the urgency for the need of their possessions among others. The more needy, the more helpless, the more precarious the condition of society, the higher the usury which they can command. So long as production is sufficient to meet the demands of usury, usurers are benefited by social destitution, since it gives them power over the lives and property of others.

That the interest of usurers is antagonistic to social welfare, a moment's reflection must show; for the welfare of society is promoted by the creation of wealth and its equitable distribution, in the independence and well-being of all its members, and in their freedom from debt. On the other hand, usurers live upon the indebtedness of society — they are constantly encouraging the creation of debts in order to make society and its members subject to them. In proportion as men grow in wealth they cease to be borrowers; they escape a condition of bondage into which usury places them. Witness the zeal with which money lenders urge governments of nations, states, counties and municipalities to incur liabilities. Every scheme that can be devised for launching public bodies into debt and keeping them in that condition, receives the hearty support of those who live on usury. Expensive and often needless public buildings, law courts, enormous standing armies, costly navies, experimental ordnance works, salaried officials, pensions, in fact every measure that increases taxation is heartily favored by this class. Witness, too, the determination with which usurers are preventing the United States from paying off its national debt, by means of the gold standard, compelling the nation to be a perpetual debtor to the moneyed class.

"The interest on the public debt of the United

States amounts to $40,410,000 annually," says the *Arena* writer before quoted. "The interest on municipal, school, country and township debts in the United States is $56,750,000 per year. The expenses of the United States, exclusive of interest and the paying off of the standing indebtedness, are now about $350,000,000 yearly, and the cost of state, county and municipal government is $450,000,000 per year. At the very lowest estimate, $897,000,000 must be charged yearly to government in the United States, not including the payment of the principal of public debt. This, representing money spent outside of regular business, amounts to $8,970,000,000 in a decade. Adding it to the former sum, the excess of interest on private obligations over the increase of wealth, we have $16,970,000,000 as the sum which the citizens of the United States fall behind their indebtedness every ten years. In view of such figures as these, it is not difficult to see why we have periods of business depression every ten years, and terrible financial panics every twenty years."

"The tendency under such conditions is to have all the wealth which is not used to feed and shelter and clothe the race, pass into the hands of the money lender. There is a comparatively trifling exception to the rule. About five per cent of all who start in business leave it with more than they began with, and but a portion of their gains can

be charged to interest. The more stable, and the largest houses of business, however, realize large returns from interest-taking. What wonder is it then, that the business of a country has to go periodically into the hands of a receiver in order to straighten out its accounts and begin anew?"

Talk of interest being an *economic* factor in distributing social wealth! It is a mill-stone hung about society's neck! A weight that grows heavier day by day—a cancer that takes all the nourishment from the body politic and which will inevitably destroy society, unless society destroys it. Usury has woven a chain that has enslaved the whole human race, and owing to the insidiousness of the system, its results appear to have hitherto escaped detection.

Let us take another view of this most important of all the branches of economics. In the treatment of social problems affecting different classes, economists have laid themselves open to a charge of inconsistency and of injustice. In no instance is this inconsistency more conspicuous than in their different methods of treating usury and measures for the relief of the poor. We are told that usury or interest is the reward of abstinence, and that this is a just reward for forbearing to consume; and that profit is a surplus left to the capitalist after he has been indemnified for his outlay, "the amount of which he can afford to

spend in necessaries or pleasures, or from which, by freely saving, he can add to his wealth."*

In the chapter on Economics and Ethics, I showed the absurdity of the phrase, "reward of abstinence;" that this so-called "reward" was unnatural, and merely a thin disguise for hiding what is in reality nothing else than a system of robbery and extortion. Abstinence never did and never can create wealth; it is absolutely unproductive. All that it takes in the shape of reward, is taken from the producer. Economists insist, however, on the wisdom and necessity of giving rewards over and above actual indemnification for outlay. Rewards and gifts to capitalists are economically advantageous they say. Observe, now, the contrast in dealing with the laborers. In treating of popular remedies for low wages, both Malthus and John Stuart Mill expatiate upon the evils attending all schemes which offer gratuities to the working classes, as tending to pauperize them. Rewards, gifts and gratuities are exceedingly mischievous when the recipients happen to be the wage-earning class, but socially beneficial when they go to the capitalist. The abstinence of the rich merits reward, a reward that is conferred upon them by laws; but what of the abstinence of the poor?

*"Principles of Political Economy."—JOHN STUART MILL.

What of the forbearance on the part of the laborer to consume all he produces? For observe that all wealth is the production of labor, so that lack of abstinence on the part of laborers would lead to the starvation of the usurers. Surely this abstinence merits reward. Does it obtain it? Not at all. Legislators have found a very simple plan for dealing with this. They allow labor no choice in the matter. They assert that the laborer is naturally intemperate, a spendthrift, a gourmand. So they enforce abstinence upon him by depriving him of the greater portion of his production, which they divide amongst the various classes of usurers, — usurers of land, usurers of houses, usurers of money, etc. In hard times when production fails, if the laborer attempts to collect his reward for abstinence by begging, he is arrested and imprisoned. The real difference between abstinence of usurers and abstinence of labor is this: the one practices it from choice and is rewarded, the other from compulsion and goes unrewarded. But where does the reward of the usurer come from? Naturally enough, from the one and only source of wealth—labor. So that the producer is compelled to reward the usurer for abstaining to consume the wealth that he, the producer, originally produced.

Hence, labor is not only robbed of its fruits, but compelled to pay a reward to the robber for

abstaining to immediately consume that which was taken from him.

The reward of abstinence is the reward of idleness; the reward of idleness is the punishment of industry; the punishment of industry is the discouragement of wealth production, and this is opposed to every sound economic doctrine. But now let us see how economists deal with the question of the right of men to be supported at the public expense.

"Every one," says John Stuart Mill,* "has a right to live. We will suppose this granted. But no one has a right to bring creatures into life to be supported by other people. Whoever means to stand upon the first of these rights must renounce all pretension to the last. If a man cannot support even himself unless others help him, those others are entitled to say that they do not also undertake the support of all the offspring which it is physically possible for him to summon into the world. Yet there are abundance of writers and public speakers, including many of most ostentatious pretensions to high feeling, whose views of life are so truly brutish, that they see hardship in preventing paupers from breeding hereditary paupers in the very workhouse itself. Posterity will one day ask with astonishment what

* "Principles of Political Economy."

sort of people it could be among whom such preachers could find proselytes." According to Mill, any system that tends to promote hereditary pauperism is brutish and dangerous to society. Now pauperism is that condition in which persons are supported by some public provision, or by the labor of others; and economists and writers of every class are agreed that all gifts have an inevitable tendency to pauperize the recipients. But usury, or "the reward of abstinence," is, as I have shown in the first chapter, even when taken in the very best light, nothing short of a compulsory contribution; that is to say, that whatever is paid merely for the use of a thing, over and above the actual compensation for wear and tear, is given without any equivalent. It is never better than a gift. Taking it in the most charitable light of giving, it tends to pauperize the recipients, and is, therefore, as contrary to the science of economics as poor laws are, or any forms of legalized relief. I need hardly point out the injustice of giving to money a privilege not accorded to commodities, by which the one is endowed with the principle of life, that is to say, is made to increase, while the other is not. It will also be noticed that interest is made a tax upon the mere act of converting commodities into money, the inevitable result of a legalized and restricted currency.

Economists are singularly blind to principle and to correct generalization; otherwise they would have seen that *usury inevitably results in hereditary pauperism.* That class who live on their "means," on rent and interest, are they any the less public burdens than those who live in almshouses? Are they restricted in the number of their offspring? Has any economist dared to say that they have "no right to bring creatures into life to be supported by other people?" "Yet there are abundance of writers and public speakers, including many of most ostentatious pretensions to high feeling, whose views of life are so truly brutish, that they would see hardship in preventing such paupers from breeding hereditary paupers." And one of these writers was John Stuart Mill.

There can be no doubt that posterity will one day ask, with astonishment, what sort of people it could be who tolerated a system of extortion and infamy so long!!

I fear I do the poor paupers an injustice when I class them with usury paupers. In fact, there can be no doubt about it. Our indigent poor take what is given to them; their demands are small. They dispossess no one for what they receive. They do not themselves enforce their demands for support by threat and bribery and intimidation. They do not hoard up substance

and prevent others from using and enjoying what they cannot. They do not, as a rule, lie and cheat and deceive. They do not endow professorships for the corruption of learning, preach heresies, bribe voters and legislatures, subsidize the press, issue warrants of distraint, eject widows and orphans from their homes, grind the faces of the poor, enforce idleness, persecute honest reformers, make criminals and harlots of the needy, make hypocrisy a virtue, debase morality, pile up the debts of the nations mountains high, enslave people, promote discord, hatred and war, and hold back civilization until hope sinks despondent, sickens and despairs! All this usury does, all this and much more.

The fact is that the pauperism of the wealthy is the cause of the pauperism of the poor.

"Taxation for the support of the poor," cries Mill in alarm, "would engross the whole income of the country." Well, taxation for the support of the rich has already engrossed the whole income of the country. Which is the greater evil? Charity is the cause of the former; usury of the latter. If the whole income of the country is to be engrossed in taxation for support, better a thousand times to give it in charity than in usury. There is at least the satisfaction of knowing that the one is a virtuous act.

"It is not at all surprising," he adds, "that Mr. Malthus and others should have concluded against all poor laws whatever. It required much experience and careful examination of different modes of poor-law management, to give assurance that the admission of an absolute right to be supported at the cost of other people could exist in law, in fact, without fatally relaxing the springs of industry and the restraints of prudence." The manner in which the poor are berated by economists — are compelled to shoulder blame for the evils of society — reminds one of the way in which the devil is made responsible for the sins of mankind.

The fact is, that from an economic standpoint there is little difference in principle between the laws for the relief of the poor and those for the support of the rich.

Both tend to encourage idleness, extravagance and pauperism. Poor-laws and rich-laws come within the same category. All that economists assert as to the incompatibility of any system of poor-law — in which a right to relief is recognized — with the permanent interests of the laboring classes and posterity, is a thousandfold more certain when made in reference to usury and the interests of society.

The one is merely a drop in the bucket when contrasted with the other. If the one be errone-

ous, it errs on the side of beneficence; the other is an enforced demand accompanied by threats of punishment unless complied with.

Usury is the murderous demand of the highwayman, "Your money or your life."

I have said that the principle of usury is unnatural. It increases that in which the conditions for growth are absent. It gives to inert matter that which nature only accords to life. Usury clothes the material with immortality. It says to wealth, "Thou shalt never die." It breathes into the nostrils of capital the breath of life, and furnishes it, not with a soul, but with a stomach and an insatiable appetite; hence labor is incessantly creating produce which goes as a peace offering to this insatiable monster. Conflicting as it does with nature, we may expect that nature retaliates; and so she does, for we find the wealth producer dying for want of that which he produces—storehouses bursting with grain, warehouses overflowing with goods, and the people standing outside, naked, cold and hungry!

This is the condition known by economists as "over-production." Instead of wealth production being a blessing, it becomes, under the system of usury, a calamity and a curse.

The principal object which political economy seeks to achieve, viz., large production of wealth, proves destructive to society. Like Midas, society

is destroyed by a superabundance of that which it is ever craving.

And why? Because those who can consume productively have not the means to purchase. *Wealth production is made possible only by wealth consumption. Not any kind of consumption, but that consumption that tends to reproduction–in other words, wealth consumption by wealth producers.* All wealth that is consumed by idlers and non-producers is non-productive, absolutely wasted. Now usury takes by far the greater portion of the wealth produced, and gives it to the small minority of non-producers. These are unable to consume it as rapidly as the many consume theirs. The result is that the masses stand hungry, waiting for the few to eat out the vast abundance of goods with which they are already gorged. It is like the owner of lands who employs his farmers on these conditions: First, that they shall cultivate no more soil and produce no more crops than he stipulates; and second, that they shall receive but one-fourth of the produce. The effect is that the few hundred or so mouths must make their one-fourth hold out until he and his friends have consumed their three-fourths; for he has no object in further production so long as his barns are filled.

The inequitable distribution of wealth is the true cause of over-production. For, under equitable conditions, how can there be over-production

whilst laborers are poor? How can there be too much of that which millions stand in need of? Had producers a fairer share of what they earn, they would consume more, and therefore create a demand for far greater production. "Over-production" ought to be synonymous with "excessive happiness." Such a condition, instead of a calamity, should be the greatest blessing. It should mean little work, general diffusion of abundant wealth and absence of poverty. Were the sources of wealth supply controlled by the masses, by the many instead of the few, how different would be the results. Production would then be gauged by the healthy appetite of industry, not the surfeited and diseased stomach of idleness.

Look at France with her thousands of eight-acre farms and her comparative freedom from abject want; and then look at the "hardly human horrors" of English and American cities, where the sources of production are controlled by the few! Over-production for the few; destitution, hunger and death for the many!

If I allow my baker but one pound of bread out of every hundred pounds that he bakes, how can he avoid surfeiting me with bread in order to keep himself alive? This is a phase of a false and fraudulent system of economy. Look for a moment at the wealth production of Europe, and how it is divided among the various classes.

In 1880, Italy, one of the poorest of States, divided £28,000,000 among 233,816 families, averaging £120 or $575 per family, whilst £214,000,000 was divided amongst 5,432,100 families, averaging only about £37 per family, per annum. In Germany 807,061 families received £198,000,000, whilst the masses, comprising 8,581,947 families, received only £652,000,000. The average income of the former was, therefore, £247 per annum; or, roughly speaking, $1,200, and the latter less than £75, or $360. In Russia 147,946 families received £117,000,000, whilst 16,254,100 families received £526,000,000; that is £800 per family in one class, and but £32 per family in the other class. (And yet we marvel at Nihilism!) Out of the annual production of £1,250,000 in Great Britain, usury—that is, rent, interest and profits—takes £850,000,000. The working classes take only £400,000,000. Wealthy idleness is represented in Great Britain by 222,500 families, and is rewarded with £5,728,000,000 of property, which is an average of £25,800 or $125,000 per family. 4,650,000 families represent the wealth producers, and their industry is rewarded with the possession of £400,000,000 of property, or about £85; i. e., $400 per family. But these averages do not nearly picture the enormities of the inequalities of distribution. There is no greater liar than "average," says a writer; for within each class there are

greater differences than those existing between the two classes. In the United States there are several thousand men whose property represents millions, and there are millions whose possessions do not reach one hundred. One man is said to receive $1,000,000 per month income.* A skillful mechanic receives no more than $75 per month. The services of the former, therefore, ought to be equivalent to those of 13,333 skillful mechanics!

No such condition would be possible but for the inequitable laws of distribution, laws which are as much opposed to the science of economics as they are to the science of morality. Further evidence of the immorality of usury may be found in the fact that all the ancient religions, as well as the ancient philosophers condemned it. The laws of Moses forbade usury. "If thou lend money to any of my people that is poor by thee, thou shalt not be to him as a usurer, neither shalt thou lay upon him usury." (Ex. xxii. 25.) And again, "Thou shalt not lend on usury to thy brother; usury of money, usury of victuals, usury of anything that is lent upon usury." (Deut. xxiii. 19.) The term "brother" applied even outside of the immediate Jewish family. Thus, "Thou shalt not abhor an Edomite; for he is thy brother," etc. Whilst usury was permissible among Jews and

* John D. Rockefeller, Pres. of the Standard Oil Co.

Gentiles, it should be remembered that this very license served to show its obnoxious character, for strangers were regarded by the Jews as the objects of legitimate plunder. "Unto a stranger thou mayest lend upon usury; but unto thy brother thou shalt not lend upon usury." (Deut. xxiii. 20.)

Aristotle, in his essay on politics, says: "But since these riches may be applied, as we have said, to two purposes, the one to make money of, the other for the service of the house; of these the one is necessary and commendable, the other, which has to do with traffic, is justly censured, for it has not its origin in nature, but amongst ourselves; for usury is most reasonably detested, as the increase of our fortune arises from the money itself and not by employing it to the purpose to which it was intended. For it was devised for the sake of exchange, but usury multiplies it. . . . Usury is merely money born of money; so that of all means of money making, this is the most contrary to nature."

The Koran, the Mohammedan Bible, expressly forbids it. The fathers of the Christian church condemned interest, because, as they argued, money was unproductive. "*Quidquid sorti accrescit usura est,*" said the theologians. Likewise the Catholic church pronounced its anathemas against usury. Of modern writers none have done more to expose the evil and immorality of

interest than John Ruskin. In the *Fors Clavigera*, for instance, he says: "Now, the law of Christ about money and other forms of personal wealth is taught, first in parables, in which He likens himself to the masters of this world, and explains the conduct which Christians should hold to him, the Heavenly Master, by that which they hold on earth to earthly ones. He likens himself in these stories, several times, to mankind or unjust masters, and especially to hard and usurious ones, and the gist of the parables in each case is, 'If ye do so and are thus faithful to hard and cruel masters in earthly things, how much more should ye be faithful to a merciful master in heavenly things?' Which argument evil minded men wrest, as they do also the other Scriptures, to their own destruction. And instead of reading, for instance, in the parable of the usurer, the intended lesson of industry in the employment of God's gifts, they read in it the justification of the crime which, in other parts of the same Scriptures, is directly forbidden." On the other side, however, has appeared Mr. Henry George, who finds in the rent system of land the cause of all our woes, and a most indefensible system of robbery; but in rent system of money, or of capital, a perfectly just and proper claim.* Mr. George is as

* See "Progress and Poverty," Law of Interest.

inconsistent, or as obtuse, as the theologians who always opposed usury, but admitted the legitimacy of rent. "Rent," said Bossuet, the French theologian, "is as far from usury as heaven is from earth." "Interest," says Mr. George, in effect, "is as just as rent is unjust." By making a subtle distinction between what are identical in principle, the Christian church ended by recognizing the legitimacy and morality of both rent and usury, in flat defiance of the teachings of Scripture. That Mr. George should practice the same feat of jugglery is the natural and inevitable consequence of failing to recognize and follow principle. After demonstrating that land is not, properly speaking, wealth, he proposes a scheme under which land is essentially a part of wealth, viz., state recognition and appropriation of what he terms "land values." For if land is not wealth, "land values" cannot exist, it being inexchangeable and therefore of no value. "The value of land," he says, "is the price of monopoly," and he concludes by proposing to immortalize this monopoly by means of the single tax. After denouncing rent as iniquitous, he seeks to perpetuate it by making society, instead of individuals, the recipients of the ill-gotten plunder. And yet he gravely informs us, that what is wrong in the individual, is wrong in society.

After exposing the weakness of the current

arguments in favor of interest, Mr. George proceeds to furnish economists with one which he evidently thinks impregnable. I will not waste time in following him in his wretched apology for an argument, by which he endeavors to bolster up the system of interest.* He refutes himself so completely, that it is only necessary, in order to confound his reasoning, to place two or three sentences from "Progress and Poverty," side by side.

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* Mr. George's defence of interest is merely a revival of Turgot's Fructification Theory.

"Now, what gives the increase in these cases, is something which, though it generally requires labor to utilize it, is yet distinct and separable from labor — the active power of nature; the principle of growth, of reproduction, which everywhere characterizes all the forms of that mysterious thing or condition which we call life. And it seems to me that it is this which is the cause of increase, or the increase of capital over and above that due to labor . . . Thus, interest springs from the power of increase which the reproductive forces of nature, and the, in effect, analogous capacity for exchange, give to capital.

It is not an arbitrary but a natural thing; it is not the result of a particular social organization, but of laws of the universe which underlie society. It is, therefore, just."

—"Progress and Poverty,"
Book III, Chap. III.

"This right of ownership that springs from labor, excludes the possibility of any other right of ownership. If a man be rightfully entitled to the produce of his labor, then no one can be rightfully entitled to the ownership of anything which is not the produce of his labor, or the labor of some one else from whom the right has passed to him . . . Hence, as nature gives only to labor, the exertion of labor in production is the only title to exclusive possession."

—"Progress and Poverty,"
Book VII, Chap. I.

It is safe to say that if Mr. George's arguments in favor of interest be correct, his attack upon

individual ownership of land is both illogical and unjustifiable. The very reasons by which he shows the iniquity of the one, he employs in justification of the other.

Against this miserable surrrender of principle by one who professes "to follow truth wherever it may lead," let me quote the opinion of one who with less pretensions has not failed to discern nor lacked courage to proclaim the truth. "But usury," says Ruskin,* "is worse than theft, in so far as it is obtained either by deceiving people or distressing them; generally by both; and finally by deceiving the usurer himself, who comes to think that usury is a real increase and that money can grow of money; whereas all usury is increase to one person only by decrease to another; and every grain of calculated increment to the rich, is balanced by its mathematical equivalent of decrement to the poor. The rich have hitherto only counted their gain; but the day is coming when the poor will also count their loss—with political results hitherto unparalleled."

That one sentence "all usury is increase to one person only by decrease to another," sums up the entire interest question.

I have dwelt at length upon this branch of our subject because it is the root of all the evils under

* Fors Clavigera.

which nations are groaning. *Under it every nation, every community, every state, is either bankrupt or is rapidly rushing into insolvency.** It is the cause of the perversion of money from its original design of assisting exchange, to that of enslaving mankind.

"Under the old slave system, property in man held a sceptre more despotic than was ever wielded by Napoleon or Cæsar; its abolition brings us into a greater presence, which overshadows presidents, courts and pulpits, and is master of majorities and armies—usury. As a loyal representative of that perishable fruit of labor, wealth, money designates the unadjusted balance in exchange, and serves all parties to the transaction. Enacted into a monopoly, endowed with exclusive power, the servant becomes legal dictator over the principal, renders workers dependent on idlers, exacts impoverishing tribute to its centralizing power, and forces a progressive inequality of wealth."†

It is this remorseless system of usury that is the cause of the inversion of all our social problems which the present system of economics presents, and which was noticed in our opening chapter. Usury falsely asserts that money and wealth are

* "All governments are burdened with inextinguishable debts, and, as a rule, the debt grows every year in a terrible progression."—Count Tolstoi on "Money."

† Col. Greene on Mutual Banking.

naturally productive; nay more: it asserts that they are more productive than labor, since it claims for capital a greater share of production than it allows to labor.

The result is that capital employs labor; in other words products are recognized as giving employment to men, instead of man employing his own products. Industry is subjected to idleness. The workers are slaves to the drones. Property and wealth are far more highly esteemed than human beings, and machinery than flesh and blood.

To recapitulate: I have shown that usury is contrary to nature, religion, morality, and to economics. It has been condemned by thinkers, teachers, moralists, religions, philosophers; in fact by the human conscience and intellect of all ages and in all nations. Judaism forbade it, Christianity forbade it, Mohammedanism forbade it, Paganism forbade it. It has not a single just reason or logical basis for its support. It has no foundation in equity or expediency for its existence. Finally, as a scientific principle it is utterly impossible. It destroys itself. It jeopardizes society. It eats up wealth and drives men away from production. It is to industry what the locust is to vegetation. It is founded upon a lie. It is, in short, a legalized system of insidious swindling. Religion, economics and ethics unite in demanding its abolition.

CHAPTER XVIII.

THE SOLUTION.

"The time has come for the wise to choose their course, and prepare for reconstruction." — PROUDHON.

We are now in a position to solve for all time this question, so stupendous in its results, so far reaching in its consequences. During the course of this investigation, we have seen that the one great obstacle against which the science of economics has always to contend, is law. No matter what may be the branch of its investigation, no matter how strongly it may dictate the righteousness and wisdom of a certain line of action, in its progress it is invariably brought to a final standstill by the lawmakers' edict, "Thou shalt not."

We have seen that the precariousness of supporting life, that which causes most of our anxiety, that raises the question in the minds of millions as to whether life is really worth the living, in fact, that which necessitates economy, is the scarcity of the means of living. And we have also seen that the tendency—nay, the economic goal of

civilization—is to increase these means, bringing them nearer to nature's gifts; in the language of Adam Smith, "to enable the people to provide a plentiful revenue for themselves." In short, the object of economics may be said to be to abolish scarcity, so far as the means of living are concerned. We have also seen that the evils of our monetary system may be summed up in that one word, scarcity, a condition arising solely from the operation of restrictive laws,—laws which give to the few absolute power over the lives and fortunes of the masses. The operation of these laws is utterly opposed to the aim of civilization. They tend to restriction instead of to freedom, to the limitation of supply instead of to a condition of plenty.

The solution of the money question, like the solution of the tariff question, is to be found in the removal of all restraints which governments have placed upon exchange and its mechanism. It is, in short, but enlarging the field of human liberty. Having acknowledged the right of all men to life, we have to acknowledge their right to support life; in fact, the one implies the other. But laws that restrict trade, that interfere with the issuance of money, deny this right. "Commerce," says Proudhon, "exists only among free men." We can transpose this aphorism and assert that men are only free where commerce is free; and as we

have seen, commerce is only free where the mechanism of exchange is free. Practically considered, two distinct operations are necessary; one of demolition, the other of reconstruction. The work of demolition consists merely in abolishing that fiction known as the standard of value, and repealing all laws relating to the issuing and tendering of money. In other words, *the solution of the money question will be found in free exchange; exchange freed from tariffs and taxes of every description, unobstructed by custom houses and licensed banking houses, by law makers and usurers.* The ground must be entirely cleared of all the dirt and rubbish which now obstruct it, in order that a strong and stable edifice may be reared in place of the present rotten and unstable one. We have been slowly learning of late years a truth which wise men recognized long ago: that the more restricted the powers and functions of governments, the better for society. Of all the powers that have been conferred upon sovereigns or states, that of regulating and controlling the currency is by far the most dangerous and most menacing to the liberties of the people. There is probably nothing of greater importance to our present civilization, than freedom in exchange. Life is dependent upon industry, and industry is dependent upon ability to exchange the products of industry, and this, under our present industrial

system, is dependent upon the mechanism of exchange, i. e., *money*.

Those who see in the present system of tariffs the evils, oppression and unjust privileges which its operation gives rise to, and who fail to perceive the inequity in a governmental control of the currency, are strangely blind to principle. Of what benefit is it to a nation to abolish its customs houses, so long as the medium of exchange is left to the control of a few government-licensed banking houses? Tariffs are taxes levied upon certain *special* commodities, and affect *special* exchanges; but a restricted currency, whether it be limited by the supply of a special commodity such as gold, or by the arbitrary rulings of a government, is a tax upon *all* exchanges, a burden placed over the *entire* field of industry. *Unrestricted commerce is impossible with a restricted currency. In other words, free trade is only possible with free money.*

The prevailing idea that a nation's currency must necessarily be restricted in volume, is entirely due to the fallacy that money is necessarily something valuable; or, as it is commonly stated, money must be "intrinsically valuable,"—a fallacy which, as we have already seen, is attributable to a false conception of the term value. *Money is not, scientifically speaking, a thing of value; it is not wealth.* It is the symbol of wealth, the evi-

dence of debt, a convenient means of reckoning and expressing the values of commodities. *Money is not a standard of value, nor a measure of values, neither is it a commodity.* It is a common denominator of values and a measure of purchasing power.

I have shown how impossible it is, scientifically speaking, to make of money a commodity. I have shown how physically impossible it is to make of any material a common denominator of values. Gold can no more "measure" values than a bushel basket can square the circle.

And now let us see what would be the effect of demolishing the standard of value. The one great result it would accomplish, would be to divorce money from its unnatural alliance with the precious metals. The only plea urged by economists and legislators for basing money upon specie, is that it is necessary to do so in order that money may perform the function of a standard of value. Abolition of this so-called function, removes at once all necessity and every excuse for the specie basis. The question arises, what then will take its place? What will the monetary system be? To begin with, the nomenclature would be the same. A dollar will still remain the monetary unit; but instead of being determined by a certain fixed weight of gold, it will simply be a unit of purchasing power. *It would represent no fixed amount*

or quantity of any particular commodity. Its power would be represented in all commodities. Goods would still be prized by the dollar system. The market reports would be printed in similar terms as now, the only difference being that prices of commodities would not be subjected to the fluctuations of gold or silver. These metals might be hoarded, exported, imported, cornered or thrown upon the market with the utmost impunity, without affecting the prices of any other commodities in the slightest degree. Every commodity would then stand upon its own base. A general fall or rise in prices would be utterly impossible. At the present time, under our present inequitable and unscientific system, the price of every commodity is dependent, first, upon supply and demand of commodities themselves; and second, upon supply and demand of money.

Variations in these two classes may occur separately or simultaneously, and the fortunes and lives of men are affected far more by the second than the first. The former are controlled by the latter, and bankers control to a large extent the destinies of producers and merchants. To-day, a merchant may find the value of his stock suddenly diminished one-half, without any change having taken place in the cost of production or supply of the goods themselves, merely through the conjoint action of a number of bankers in cornering

the supply of money. Observe, for instance, how the cornering of gold precipitated the general panic known as Black Friday! No cornering of commodities could possibly create a general panic, so long as money is not confined to any particular commodity.

Under the system I propose, variations in supply and demand of money could have no effect upon prices, because the supply would be always ample to meet the demand. By making all commodities equal, that is, putting them on the same footing, all would be alike monetizable. Industry, trade and commerce would then assume their natural position and would become independent of finance. The fortunes of manufacturers and merchants would cease to be the shuttlecocks of money brokers and speculators.

A dry-goods merchant would find it as easy to monetize his stock, and the builder his house, as the gold miner his gold. With freedom to monetize all commodities alike, the monopolization of money would be as impossible as the monopolization of *all* commodities. Further, the supply of money would be so abundant that interest for the use of money would rapidly disappear. *Interest is only possible with a restricted currency.*

In the chapter on Purchasing Power, I showed how an invariable unit of purchasing power may be provided. The operation of estimating the

relation of all commodities in terms of these units, involved, as we saw, the use of an endless number of figures. By using the dollar method, this difficulty vanishes. The exchange relations of all goods are now expressed in terms of dollars and cents. *It is only necessary, therefore, to abolish the standard of value in order to make the dollar an invariable unit of purchasing power.* But, I am asked, what is a dollar apart from its gold basis? Simply an arbitrarily selected unit of purchasing power, in simple multiples or fractions of which the exchange relations or values of all commodities may be expressed. Such a dollar is merely ideal. By selecting any commodity, its power is at once made known by the quantity of the commodity which it will purchase. The ideal dollar is invariable, inasmuch as it does not fluctuate, *per se*, from supply and demand. The gold dollar, the commodity-dollar, is continually varying. Although to many this idea of what the dollar should be may seem novel, a few moments' reflection will show them that almost all people, outside of bankers and money dealers, do, in practice, use dollars in this ideal sense, although unconsciously. Not one person in ten thousand ever stops to think of what a dollar is, expressed in gold. All they think of is its purchasing power, expressed in the particular commodity they need, and as they do not need gold, they never think of ascer-

taining the gold value of a dollar. "How much of this can I buy with my dollar, or how much of that?" is the question that immediately concerns them. Neither do the merchant and store-keeper bother their heads about the so-called "intrinsic value" of money. In fact, it is doubtful if one man in ten thousand could tell from memory how many grains of gold the dollar represents. *It is only the money speculators and usurers, who are really concerned on this point, and who use it from time to time to intimidate the public and create a panic.*

Evidence of the use of ideal money is furnished from experience, in this and other countries, by the inconvertible note currency. "Governments," says Francis Walker, "have frequently issued paper money without adequate provision for its redemption in gold and in silver, without such redemption, in fact, taking place, and sometimes without redemption being promised, *and yet that paper money has circulated as rapidly as gold or silver would have done, has been taken as freely in exchange for commodities and services, and even in some instances has maintained an actual value equal to that of the amount of the precious metals to which it was nominally equivalent.* The paper money of Massachusetts, for the greater part of the period 1690 to 1710; the paper money of Russia for the twenty years following 1768; the

so-called continental currency of the American revolution, for a year and more after the first emission; the paper money of Prussia for no inconsiderable period of time, all circulated freely, even without discount in specie." And again he says: "The so-called greenbacks of the American Civil War, never, from 1862 to the close of 1878, lost their currency in the smallest degree. At their price they were always taken readily, eagerly. Men never sought to avoid their use by taking gold at a premium, or by resorting to barter or credit." This last statement is remarkable, owing to the fact that the United States government dishonored this currency by the famous—or rather infamous—exception clause, refusing to accept it in payment for duties and interest on bonds. . . . And now, having dissolved the immoral partnership of bankers with the government, on what basis will they in future operate? How and by whom will money be issued? How shall it be redeemed? The first thing to be said is this: that with the field entirely free and untrammelled by legislative obstructions, there is room for the best possible financial system to grow up which will be the *natural out-growth of industry*. The best, most useful, most stable institutions have grown up under the least restricted conditions. Such institutions, coming into existence under perfectly natural conditions, must necessarily be

better adapted to the wants of men than artificial hot-house methods of governmental institutions.

It is difficult—in fact unnecessary—to predict what banking system would take the place of the present National banks were they swept away. Good systems of finance, like all good social institutions, are things of growth, and they conform naturally—if let alone by law-makers—to the needs of the people. What those needs will be ten, twenty, fifty years hence no man can foretell. To arbitrarily fix a system of banking which is incapable of variation or adaptation to social growth, is like the Chinese method of keeping their women's feet encased in children's shoes.

Banking methods should adapt themselves to the requirements of trade, and not trade to the fixed systems of bankers. Banking should exist to facilitate commerce. Under our present system, commerce exists for the benefit of bankers and is compelled to adapt itself to their whims and opinions. Numerous plans have been proposed to supplant the present system, and there is no question but that experience would soon determine what system was best fitted for the conditions. The scheme which appears to me the most scientific, most capable of variation and expansion, and in accord with the principles I have described, is that known as the Mutual Banking System. This system is a co-operative plan by which the mem-

bers of a community organize themselves into a Mutual Banking Company, the business of which consists in issuing notes, or paper money upon goods which are pledged for its redemption. Every member of the community may become a member of the company, providing he has acceptable goods* and desires to monetize them. Every member of the company agrees to accept its notes in payment for services and commodities. No regular rate of interest for borrowed money is exacted, but a charge just sufficient to defray the running expenses of the bank. In other words, there is no bank stock and therefore there are no dividends.

Return of the bank notes borrowed releases the goods pledged. These bank notes would be issued as now, in units, multiples and fractions of the dollar. They would constitute money in the strictest sense; that is, they would be merely the medium of exchange divided into units of purchasing power. This system would place all commodities on an equality with gold. In other words, it would do for commodities what it was once

* It is evident that certain goods are by their nature more difficult of monetization than others. Thus goods readily perishable, such as fruit, vegetables, dairy products, etc., are less available than houses, steamships, machinery, etc. With the destruction of commodities, money issued upon them would have to disappear. Money would not long remain in circulation after the wealth of which it was the symbol had ceased to exist.

supposed republicanism would do for a nation, *provide equality of conditions and of opportunities for all its members.*

Mutual banking* is not a very modern idea. It was proposed years ago by Beck, Proudhon and others. The former suggested the application of what is known as "Credit in Account," the latter "Bills of Exchange." In attempting to solve this gigantic question, I disclaim any intention of inventing a banking system. *I claim that the money problem will be solved as soon as governments cease monopolizing and interfering with the currency. Repeal of all laws prohibiting and restricting the issuing of money, would call into existence numerous systems, competition among which would lead to the survival of the fittest, which is the natural solution of the banking and currency question.*

That strenuous objections will be urged against the repeal of laws relating to currency, and the taking from governments the power to issue and control money which I have herein advocated, is both natural and inevitable, since it means nothing less than the dethronement of gold, of money monopoly and privilege. It will be the old Temple of Diana question over again: "Sirs, ye know that

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* See "Mutual Banking" by Wm. B. Greene. Published by New England Labor Reform League.

by this craft we have our wealth. . . . . And our craft is in danger to be set at naught." To those also who believe in the paternalistic functions of government, protectionists, socialists, nationalists and greenbackers, this proposal will be met with ridicule. Like the Parisian in the 17th century, who, hearing it said that Venice was governed without a king, died from laughter at the absurdity of the thing; so the idea that money can be issued and circulated without the force of law, will seem to many preposterous.

To those, however, who can regard the subject calmly and dispassionately in the light of reason, they will see nothing visionary or impracticable in the suggestion. They will see how the great industries of the country, the manufactures, means of transportation, facilities for insurance, etc., are operated successfully by individuals, corporations, and voluntary associations, to a degree of perfection so far unattainable by any form of government. Recognizing that the perfection of these various operations is due to free competition among individuals and groups of individuals, and to the absence of restriction regarding voluntary associations, they will naturally infer that a similar standard of perfection should be reached in regard to money and currency, providing free competition among bankers and banking systems be permitted. Nay, more: they will recognize that since present

governmental control of the currency is the true cause of the insecure and unstable system of credit upon which at least 95 per cent of the business of this country is now transacted, and that the uncertainty and insecurity surrounding modern commerce is entirely due to this unreliable basis, that abolition of governmental restrictions will lead to the adoption of a sound and stable foundation for exchange, and of a system that will be naturally fitted for, and adapted to the growth of trade and industry. To-day money, in the form of credit notes, are issued by individuals and firms to an enormous extent, *most of which consist of promises to do the impossible*, viz., to redeem them in a certain commodity, or a certain special kind of money, the supply of which is far less than that necessary to meet the demand. The result is, as I have already shown, that the world is constantly in danger of financial panics. *All that is necessary in order to precipitate a panic is for a certain proportion of the creditor class to demand of the debtor class fulfillment of its obligations.* It is precisely analogous to those panics that the cry of "fire" gives rise to. And just as the chances for and horrors of panics increase, as the number and size of building exits are reduced, so the danger and devastations of financial panics are relatively great, the more the currency of nations is limited and restricted.

It will be objected that by giving to the people full control of the currency with the right to issue money, the chances for dishonesty will be enormously increased. What will prevent banking institutions from issuing money far in excess of their ability to redeem?

In reply, it may be asked, what is it that to-day prevents individuals and corporations from over-issuing promissory notes, and incurring liabilities beyond what they can properly discharge? First, their honesty. Second, the fear of the shame and disgrace that dishonesty incurs upon individuals in all civilized communities. Under the guise of law, officials are now able to practice dishonesty without reaping the penalty and stigma which would otherwise attach itself to them, were they acting as individuals or as private bodies. Third, difficulty in incurring liabilities beyond a certain limit, which is gauged by their credit. Under free conditions, whilst there would be no physical force to restrain one from attempting to make excessive issues, at the same time there would be no power compelling people to accept them. At the present time the legal tender act virtually compels acceptance of government currency, but in the absence of governmental interference, persons would be free to refuse payment in a form that was not entirely satisfactory. This would lead to as much discrimination and care in financial

transactions as is now shown in the purchase of commodities. It would lead to a better public sentiment, and stimulate a greater demand for honesty than now prevails.

To make right conduct the *sine quâ non* of commercial success, is the surest means of establishing the practice of right conduct. A people who seek to become virtuous by force of law, will end by becoming a nation of hypocrites. On the other hand, it is but too well known that legislation creates and perpetuates the necessity for dishonest practices. There is scarcely a law passed that does not create some crime. Tariff laws produce lying and deceit; liquor laws corruption and adulteration; game laws murder; Sunday laws promote drunkenness, disease and death, and so on. Acts which in themselves are not immoral are made offences by law.

"The garden of the laws," says Séverine, "is full of ironical plants of unexpected flowers; and by no means its slightest charm is this subversion of the natural order, whereby appear at the end of stems and branches fruit just the opposite of that which is promised by the essence of the tree or bush. The apple-tree bears figs, and the cherry-tree medlars; violet-plants yield sweet potatoes, and hollyhocks salsify. It is delicious."

Under free conditions, the war between honesty and dishonesty — between the powers of light and

of darkness — may be waged with full assurance that the powers of good will prevail. Under our present legalized systems the conditions strongly favor trickery and rascality. The chances are in favor of the evil succeeding. Look at the extremely wealthy classes of to-day. Are they conspicuous for honesty and integrity? Are they very noble in character? And do they owe their possessions to adherence to sound ethical principles? On the contrary, are not the most wealthy usually conspicuous for the questionable methods by which they have achieved their riches? Would it not provoke a smile to be told by a modern plutocrat that "honesty was the surest means for acquiring wealth?" Of the great fortunes that have been amassed during the last fifty years, there is not one that may not be traced, directly or indirectly, to some special privilege created by law by which individuals have been furnished with the power to exploit their fellow citizens. Instance the tariff laws, which by checking imports and cutting off foreign competition, have permitted manufacturers to reap enormous profits; instance land grants made to railroad contractors; franchises and monopolies granted to street-car companies, to gas, water, and electric light corporations; and lastly to national banks, by which the few are permitted to use the nation's credit by paying a low rate of interest, whilst charging the

public whatever their exigencies — which bankers strive to raise to the highest degree possible — compel them to pay. Look, too, at the history of the railroads in this country! What else is it than a history of plunder, brigandage and blackmail, *committed by men under the immediate protection of law!*

Speaking of the dishonesty that characterizes public affairs, and the protection the law affords to those guilty of immoral acts, Mr. Isaac L. Rice says, in the *Forum*, October, 1893: "All our public affairs having become permeated with the poison of dishonesty, it necessarily has affected our quasi-public relations as well. Indeed, our great public corporations, such as railroads, are in themselves species of communities, of which the security holders are the citizens; and in these communities *the right to steal under certain legal forms and sanctions has, in certain directions, become fully recognized.*"

"Whatever frauds are perpetrated under advice of counsel or by resolutions duly passed by a majority vote at a regularly constituted meeting, security holders have long since come to regard as unobjectionable, or at least as beyond the reach of successful attack. *Here, too, the line between private honesty and public honesty is sharply drawn.* Many a director who would exercise the most scrupulous care, if any of his constituents had

appointed him trustee in a private matter, has not the slightest hesitation to vote in his own private interests for acts that, from a moral point of view, are nothing less than sheer robbery of those who have confided to him the management of their corporate affairs."

"Indeed, quite frequently, as soon as a board of directors is elected, it considers itself the absolute owners of the property, to manage or mismanage as its private interests may dictate. These private interests sometimes are in such direct conflict with the interests of the corporation as to involve it in bankruptcy. Whenever this happens, the courts are appealed to in order to continue in irresponsible power the very men who have now administered their trust. And the courts generally entertain favorably such an appeal, as they have gradually succumbed to a growing custom not to enter into any inquiry in such cases as to the causes bringing about the bankruptcy. *In fact, the courts are in such cases considered as little more than instruments for registering the wishes of those whose dishonesty is responsible for the ruin of the corporation.*"

Here we find recognition of the fact that under protection of and by virtue of law, men will commit acts which in their relations with each other upon matters not affected by law, they would be ashamed of committing. May we not say with

Thoreau that "law never made men a whit more just, but by means of their respect for it, even the well-disposed are daily made the agents of injustice!"

It is notorious that of all debts contracted by men, none are paid more promptly nor with less effort to evade, than those debts that the law refuses to recognize, viz., gambling debts. The necessity for taking all affairs pertaining directly to industry and finance out of the hands of the government, out of the power of legislators — in short, reducing government to its sole rightful function of administering justice, of protecting life and property, is well given by the same writer, Mr. Rice, in the following words: "It seems paradoxical to say that the individuals composing a nation may in the main be honest, while the nation in its public capacity may be dishonest. But the paradox vanishes when we remember that in its public capacity a nation is represented by its rulers, and these may be dishonest while its constituents are honest. In the struggle for political preferment many factors enter into play, and not the least of them is the political apathy of the electors occupied with their private affairs, who drift more or less carelessly with the current, forced into devious channels by the energy of dishonest demagogues."

"We are the fortunate possessors of a land of

inexhaustible resources, able to maintain in prosperity a rapidly increasing population, and should therefore enjoy continuous progress and prosperity, with only occasional reactions when the development may have become over-rapid. Why, therefore, are we subjected to panics so frequently recurring with growing intensity, so that we seem to be beset by adversity, rather than in the enjoyment of that prosperity which, in view of natural conditions, ought to be our portion?"

"To me the reason seems clear. Notwithstanding the well established fact that in our private capacity we are an essentially honest people, and indeed our private honesty stands unexcelled among all peoples, the same cannot be said of us in our public capacity; and this deficiency in public honesty begets want of confidence, and want of confidence is the cause of all commercial panics."

The solution we must naturally infer from this is, to take away from public bodies the privileges and monopolies they now enjoy by law, privileges which permit them to reap the rewards without having to bear the social responsibilities which should accompany all such privileges. By repealing those laws under which such privileges are maintained, individuals and corporations undertaking business will be compelled to shoulder all the responsibilities pertaining thereto, and will there-

fore be held accountable by the public for their conduct.

In conclusion I claim to have demonstrated :—

1st. That the present orthodox system of political economy is a false and fraudulent system, and is based upon principles utterly fallacious and immoral.

2d. That the true science of economics, dealing as it does with economic conduct, is essentially a moral science, and its principles must agree with those of ethics.

3d That an ideal standard of distribution is as important in economics as is a moral standard in the science of ethics.

4th. That a scientific definition of wealth must be in positive terms. The usual definition in terms of exchangeability leads to a contradiction.

5th. That values are ideal creations, abstract relations, and cannot possibly be "measured," nor can they be expressed save by numbers; hence, gold can neither measure nor express values.

6th. That a standard of value is an absurdity—a nonentity.

7th. That whilst there is no such thing as an invariable unit of value, there may be an absolutely invariable unit of purchasing power. I have shown how such a unit may be obtained.

8th. That in omitting the element of time from their definition of a unit of purchasing power,

and instituting a material unit—a commodity-unit, economists have left the industrial world at the absolute mercy of a clique of speculators, whose incomes are derived from alternately depressing and stimulating production.

9th. That money is not, scientifically speaking, a part of the national wealth, but becomes wealth to individuals only by the power which its monopolization gives to its holders to exploit industry.

10th. That the monopolization of money is due solely to special laws, restricting and prohibiting the issuance of money except by privileged institutions.

11th. That the Gresham Law is a ridiculous fallacy.

12th. That money can properly discharge the functions of a medium of exchange, and a just standard of deferred payments, only by being freed from its unnatural alliance with specie, and being legally unrestricted.

13th. That financial panics, under our present usurious, monopolistic, monetary system are inevitable.

14th. That the parent of interest and the cause of poverty, involuntary idleness, over-production, general rises and falls in prices, is a monopolized currency.

15th. That since these evils which afflict society are directly due to laws, under the fostering

care and protection of which they have grown to their present gigantic proportions, their removal is possible only by abolishing all laws restricting, hampering or interfering in any way with the issuance of money.

16th. Finally, since the power to issue and to control the currency of nations has been arrogated by governments and always employed by them as a means of enriching a privileged few, and as an instrument of oppression against the people, this power should be taken from them and revert to the people to whom it rightfully belongs.

MONOMETALLISM VERSUS BIMETALLISM.

A Criticism of Henry Dunning Macleod's New Work on Bimetallism.

Under the title of "Bimetallism," H. D. Macleod, the well-known economist, has presented an epitome of the various arguments which monometallists urge against bimetallism, and on this account, if on no other, the work is interesting, since it sets forth in a brief space the positions occupied by these two antagonistic monetary schools. Mr. Macleod is a forceful, fervent writer, who is not afraid to push an argument to its logical ultimatum, and, as a general rule, he insists upon doing so, with results altogether surprising.

No writer has done so much to expose the absurdities underlying orthodox economy, and especially the present monetary systems, or to make of the science a *reductio ad absurdum*, as Mr. Macleod. It is true that he is quite unconscious

of his achievements in this line, achievements which are the very opposite of his intentions. Like Samson Agonistes, in slaying his enemies he has slain himself. I have shown in the chapter on Wealth how, by following exchangeability as the sole definition of wealth to its logical conclusion, he is led to categorize rights-of-action, debts, mortgages, personal qualities, etc., as wealth; the result of which brings him to the absurd paradox that it is possible for a nation to destroy wealth without being any the worse off, and to create wealth by the mere fiat of law. To the two well-known factors of production, labor and land, Mr. Macleod adds two more, viz., law and ink. Because written documents are frequently used in exchange as tokens or symbols of wealth, Mr. Macleod imagines them to be what they represent. He mistakes the shadow of a thing for the thing itself. He confounds shadow with substance, the ideal with the material.

A story is told by Proudhon of a French peasant, who, having confessed that he had stolen his promissory note from the man who made him the loan, was advised by his priest to return the money immediately if he expected absolution. The man replied in astonishment, "No, that would be unfair to me. I will give him another note." It would appear from this that Mr. Macleod is not the sole discoverer of the "great

juridical principle" that mere promises-to-pay are wealth. *

In the contention between the advocates of gold and silver coinage, science can take no part. Recognizing, as we must, the physical impossibility of any commodity functioning as money,—so long as it has an independent commodity value and existence,—gold and silver, neither separately nor collectively, can furnish a scientific basis for any monetary system. This I have fully demonstrated in this work. It will, however, be instructive to observe the hopeless difficulties into which the advocates of metallic coinage inevitably fall.

"The whole of this vast controversy," says Mr. Macleod in his preface, "is reducible to a single, simple and definite issue."

"Supposing that gold and silver are coined in unlimited quantities, and a fixed legal ratio is enacted between them. (1) Is it the fixed legal ratio enacted between the coins which governs the rela-

* Mr. Henry George and his Single Tax friends fall into a similar error regarding "land-values." Land-values do not constitute any part of the national wealth. Their destruction would leave a nation none the poorer. The land would be none the less fertile or more restricted in area than before. Land-values are fictitious but a tax is always collected in wealth, and wealth is always produced by labor. So, in pursuing this *ignis fatuus*, land-values, Single Taxers must inevitably tax the very class whose cause they champion—labor.

tive value of the metals in bullion? (2) Or is it the relative value of the metals in bullion which governs the relative value of the coins? (3) And if it be found impossible for any single country to maintain gold and silver coined in unlimited quantities in circulation together, at a fixed legal ratio, is it possible for any number of countries combined to do so by an international agreement?"

"This," he says, "is the whole gist of the controversy, and all facts and arguments adduced must be directed to establish one or other of these points."

These very questions which Mr. Macleod propounds show at once the gross absurdities involved, and utter ignorance displayed, in this contention. The absurdities can be made clearer by an analogy.

Supposing a yard-stick made of silver and a foot measure of iron.

(1.) Is it the fixed ratio of the foot to the yard which determines the relative co-efficients of expansion of silver and iron?

(2.) Or is it the relative co-efficients of expansion of the metals that determine the ratio of a foot to a yard?

(3.) And if it be found impossible for any single country to maintain the exact ratio of one to three between a foot measure made of iron and a silver yard-stick, under varying temperatures, is it pos-

sible for any number of countries combined to do so by an international agreement?

"The bimetallists," he adds, "maintain the first of these propositions, the monometallists maintain the second. To the third proposition the bimetallists reply in the affirmative; the monometallists reply in the negative."

"Our business," he adds, "is to investigate which of the parties is right in their contention."

I shall show that both parties are wrong, and are contending over a question that neither of them fully understand. I shall also show that as between monometallism and bimetallism the latter system is unquestionably fraught with less danger to the welfare of nations. No human law can possibly govern the exchange relationship of commodities. The natural law of supply and demand alone governs value. Laws can, however, artificially alter values by limiting supply and demand. Thus gold enjoys an artificial value which it could not do but for law. So that whilst goverments cannot fix values or absolutely control them, they can materially affect them by affecting supply and demand.

The "relative value" of the metals in bullion does undoubtedly govern the "relative value" of the coins, but in the very opposite manner to what Mr. Macleod supposes. The more valuable a metal is in bullion, the less valuable it is for coinage.

Why? Because it refuses to function as a coin. It insists upon becoming bullion. Now, I contend that the first requisite of a good coin is that it shall properly discharge the functions of a coin, and that is to facilitate exchange, to circulate, *and to remain in circulation.*

A race-horse is an admirable creature, but everybody will admit that it would be worthless for street-car purposes. The common road-horse is a much cheaper animal and an infinitely better horse for this work. So it is thoughout the entire industrial world; utility determines value. But strangely enough, monometallists cannot see that this law governs coins and money, the same as all other things. "Money is as money does," says Francis A. Walker, and history proves that under free competition, dear money, like all commodities, must give place to the cheaper. This, Gresham perceived, only he could not see that the cheaper was the better money.

No material can be a useful substance out of which to coin money, that is continually urging the coin to commit suicide. Gold is continually causing coins to undergo dissolution by transforming themselves into bullion. Now bullion is not money, it is not coin. The coin vanishes the moment it becomes bullion. A metal that is good as bullion is not necessarily good for coinage. Silver is far less liable to play the truant

and leave us in the lurch, than gold. It is not so disposed to run abroad and create a stringency in the home market. "But" exclaim the monometallists in alarm, "gold would be driven out if silver were coined freely." Well, what of it? At the present time, without any free silver measure, gold leaves the country when the nation appears to be most in need of it, and it has to be bribed and pampered and flattered in order to get it to return; so that it seems inevitable that gold must travel. But suppose gold disappears entirely from this country and silver takes its place? What then? We should have a metal that would not be liable to vanish, and one far more serviceable than gold. "But" say the monometallists, "the country would be flooded with silver, and all nations would pour it in upon us."

Let us examine this assertion. We will acknowledge that under the free coinage of silver gold would disappear. What would happen next? Foreign merchants would hardly consent to ship silver here unless they received something in exchange. In order to become loaded with silver, we should, therefore, have to export an enormous quantity of other goods,— which ought to please our friends the protectionists,— and this would continue until it was no longer profitable to import silver. Now, the immediate effect of a free

coinage law would be to increase the price of silver, and secondly to decrease the price of gold, owing to the law of supply and demand. The fewer the nations demanding gold the less will be its purchasing power.* Silver could not fall below its present price unless its production was vastly increased.

Another effect would be to replace credits very largely with cash. To-day fully 95% of business is done upon credit, and only 5% in cash. *If the commerce of the United States was transacted upon a cash basis, it would require more than all the silver coin in the world.* By increasing the quantity of coin in circulation, merchants would not require to ask for long time payments, but would seek to gain the advantage of prompt cash settlements; hence, business would be healthier and bankruptcies fewer. Production would be cheapened and exchange enormously facilitated. "But what of those who have promised payments in gold?" The answer is that they would have to purchase gold in the markets of the world as they do to-day; and they would find this easier to do than now, since gold would be cheaper, i. e.,

* Because gold *nominally* undergoes no change many suppose it remains invariable. Its variations are, however, registered in all other commodities, and it fluctuates enormously as I have shown in the chapter on Credit. These fluctuations are largely due to the employment of credit.

less silver would buy a given quantity of gold than now. A further result would be to put an end to this insanity of trying to do the impossible,— of attempting to redeem one hundred millions of credit with one million of gold, and thus giving the holders of gold absolute power over the lives and fortunes of millions of men. The power of gold — the most iniquitous, inexcusable, insatiable privilege ever possessed by man, a privilege that exists solely through the operation of human laws — will be completely broken in the country that adopts free silver coinage.

"But what would the dollar be worth?" "What would become of the standard of value?" screams the monometallist. As to the worth of the dollar, the same thing would happen with dollars as happens with any other commodities. Increased supply would cheapen them and diminished supply enhance them. Free silver would unquestionably cheapen dollars,— a consummation devoutly to be wished. We hail bounteous harvests of wheat, of corn, of agricultural products with delight, and devote one day every year for national thanksgiving. An abundance of commodities, a plentiful supply of good things is what we, as a nation, are eager to provide. Why, then, should we regard a plentiful crop of dollars with dismay? When wheat is plentiful it sells for half the price it does when there is a scant crop. Wheat to-day sells for

one-fifth of what it did in 1865; but no one has petitioned Congress for the enactment of a law to restrict the growth of wheat. To the sixty-five million consumers, fifty cent wheat is a boon, although to the million or so producers it is disastrous. And as J. B. Say says: "The well-being of consumers constitutes the well-being of society." *But the truth is that the depreciation of wheat is due to a restricted gold currency. Nothing has happened in the production or actual demand for wheat to cause this fall of prices to fifty cents. This is the result of the increased value of money, due to the restriction and contraction laws.* Here we catch a glimpse of the true inwardness of the opposition to a free silver coinage measure. It comes from the usurers not the wealth producers; that is, from the bankers and money-lenders, who tax away from society all the increased productiveness that invention and labor create.

An increase in the supply of money, which free silver coinage would necessarily cause, would make monopolization of the currency far more difficult than at present. Prices could not be manipulated quite so easily, nor would labor be so readily exploited.

Whilst competition is continually cheapening production, whilst inventions and discoveries are making labor more productive, all this surplus creation of wealth is taxed away by the money-

monopolists, by means of their "standard commodity." It is not the landlord class, as Henry George and his followers falsely assume, that tax labor most heavily; it is the money power. It is this power that controls both labor and land, by controlling the land-holding class, as is evidenced by the enormous quantity of land held under mortgage and which is continually increasing.

*And into the hands of the money power, the land must inevitably fall.**

It is somewhat amusing to see how eagerly the monometallists insist upon regarding money as a commodity, on the one hand, and how, on the other hand, they refuse to allow the natural law governing the production of commodities to operate upon this particular one. If money is a commodity, there is no earthly reason why money should not be exposed to free competition, just as wheat, cotton and corn are. On what grounds of either justice or expediency should the banker be protected in his industry, more than the farmer and mechanic in theirs? And

* It is strange that land reformers are so absolutely blind to this fact. One never hears of Money-Lords begging for land on which to employ their wealth. But landlords are continually becoming indebted to the money power for the use of money. In other words, land is far more plentiful and more readily procurable than money. And to-day money is made more essential to men than land.

now observe: By prohibiting free competition in money, every industry is compelled to pay an enormous tribute to the persons controlling it, since it is by money that all commodities are compelled to gauge themselves. Every man who engages in business must come under this yoke which laws, restricting the production of money, have placed upon the shoulders of industry. It is impossible to escape this form of slavery, except by becoming a part of the money power. Every man is compelled, under our present monetary system, either to bear this yoke, or form a part of it himself. He is forced to become oppressor or be oppressed.

But what of the standard of value? Let Mr. Macleod himself answer.

In Vol. I., page 184, of the "Theory of Credit," he says: "A standard of value is impossible. That unfortunate confusion of ideas between value being the quantity of another commodity which any quantity will purchase, and the quantity of labor embodied, as it were, in the commodity itself, which is chiefly due to Smith and Ricardo, has not only led to that mischievous expression "intrinsic value," the source of endless confusion in economics, but also the search for something which very slight reflection would have shown to be impossible in the very nature of things, namely, an invariable standard of value." . . .

On page 186 he says: "But value is a ratio; and it is impossible in the nature of things that a single quantity can measure a ratio."

On page 184 he also says: "Value is a mental affection;" and on page 187, "Value then, like color, sound and odor, only exists in the human mind. There is neither color nor sound nor odor in external nature. They exist only in the human mind."

Taking either of these different definitions of value, what sense is there in the expression "standard of ratio," or "standard of odor," or "standard affection of the mind?" Equally meaningless is the expression, a "measure" or "standard unit" of ratio! And yet after these definitions, Mr. Macleod coolly informs us that money is a measure of value; (Theory of Credit, Vol. I., p. 186.) that a certain coin can be the standard unit of money, and that this coin is gold. Hence gold is the standard unit or measure of value!!

But a coin is a single quantity, and he has already proven that a single quantity cannot measure a ratio (p. 186). How will he reconcile these conflicting statements? To talk of "measuring" a ratio is sheer nonsense. Ratios are *expressed*, not *measured*. Further, as I have shown in the chapters on Value and the Standard of Value, *ratios can be expressed only by numbers. You can-*

not express them by metals. Gold and silver, when placed side by side, give no expression of ratio. It is not until an exchange occurs, a barter transaction, and the metals are weighed and their weights expressed in numbers, that a ratio can be thought of, let alone expressed.

If one ounce of gold exchanges for twenty ounces of silver, the value is not expressed in terms of the materials gold and silver, but in the ratio of the numbers of ounces, 1 : 20.

Gold is not, never was, and never can be a measure of value. It would be just as rational to say that gold was a standard of equality or the unit of distance, as to call it the standard measure or unit of value. Values are, as Macleod shows, ideal. It is nonsense to set up a substance as a standard or measure of the ideal!!

When this fallacy, this preposterous delusion is knocked on the head, we may hope for a scientific monetary system, and an end to financial and industrial fiascos and failures.

I have given what I believe to be valid arguments in favor of the free coinage of silver, as opposed to the gold monometallic system. Not that I consider free silver a complete solution of the money question. Far from it. It is a step, however, towards liberty, towards sanity, towards national prosperity.

I have said that laws cannot *fix* values, although

they can and do *affect* them. The fixing of values, as spoken of by bimetallists, I understand to mean the equalizing of the purchasing power of coins, so that gold and silver dollars have exactly the same purchasing power. And this is, of course, true. Not only is this true, but paper, which is "intrinsically valueless," — to use the common term — may also have the same purchasing power, as is evidenced by our greenbacks. Macleod also shows this by admitting credits as money. He says in his preface to "Bimetallism": "It appears by the last official accounts that with a reserve of gold amounting to £4,866,511, the Scottish banks are able to support £92,240,356 of banking credits. These ninety-two millions of banking credits have exactly the same effects in all respects as an equal quantity of gold."

Whatever may be the legal ratio of coinage, or the denomination of the notes issued, experience, in this country at least, shows that gold coins, silver coins and greenbacks all have precisely the same purchasing power. The value of the metals in bullion has nothing whatever to do with the question. All that this determines, is whether this or that or both metals will remain in circulation.

The author of "Bimetallism" has unwittingly furnished a complete and unanswerable argument against the gold basis, and a sufficient reason for abolishing it, in the following sentence:

"To use a homely illustration, the vast amount of credit, by means of which all commerce and trade is now carried on, may be compared to a schoolboy's humming top, which, however large it is, revolves on a very minute axis. At the present day gold is nothing but the minute axis upon which the whole of the colossal system of credit revolves." (Page 123. Bimetallism.)

This is precisely the condition which I have described at length in the chapter on Credit. As Mr. Macleod aptly shows (although he does not so explain it), the gold currency basis is a gigantic scheme of swindling, by which the leading bankers of the world control all its wealth and industry. This gold axis — upon which colossal credits rest — revolves in *their hands.* *And upon these credits rests the commerce of the world.* So, by the simple device of controlling and monopolizing gold, the bankers of Europe control the world. They have power to cause the top to revolve and to cease revolving at will. These men, who spin not, make the entire industrial world spin or cease spinning at their pleasure, a fact that this country has experienced only too often. Mr. Macleod holds this system up as a model of perfection. He maintains that gold is not scarce since credits form a part of the currency. He either ignorantly or intentionally overlooks the fact, that as soon as the supply of gold is "cornered" that "this colossal

system of credit" vanishes, and down falls the entire industrial structure.*

Free silver coinage would at least displace some of this credit, and so prevent the entire collapse of the structure when gold vanished. If a Japanese juggler seriously proposed to suspend Mr. Macleod upon the end of a rod resting upon his chin, and to carry him about wherever he might desire to travel for the remainder of his days, such a proposition would be not a whit less rational than the present scheme of balancing the world's industries upon a minute axis of gold, controlled by a gang of jugglers!

From the standpoint of the gold monopolist, such a scheme is unquestionably perfection. No system emanating from the human brain has ever succeeded in placing within the grasp of man such frightful power, such absolute control over the destinies of mankind as the gold standard.†

The whole of this vast controversy is reducible to a single, simple and definite issue: Do men,

* For instance, suppose in the case of the Scottish Banks above cited, a clique should corner the £4,000,000 of gold —as happened in this country on Black Friday! What becomes of the £92,000,000 of credits!!!

† The gold standard is a device of the bankers for measuring everybody else's corn with their bushel. Thus all the wealth of the world is measured entirely by its purchasers instead of its producers—who have no say in the matter.

when exchanging goods for money, exchange them in order to obtain a certain amount of a particular metal, or merely for a certain amount of general purchasing power? *Is it the actual metal men require in exchange, or merely the power which will enable them to acquire other commodities?* If it is the metal they want, then the contention in favor of a metallic currency must be accepted as correct. But, as I have elsewhere shown, this is a barter system, pure and simple. The exchange of one commodity for another is barter, even though that one be gold. Money does not enter into such transactions. If it is general purchasing power that men seek, metallic currency is the greatest absurdity of modern times. Now every authority, ancient and modern, who has ever written upon this subject, distinctly states that coins are only taken for their purchasing power, as a means to an end; and no one has stated this more clearly than Mr. Macleod in his "Theory of Credit." He quotes writer after writer to show that money is an "order," a "token," a "ticket" or "counter," and that coins are merely orders on society, that they are not taken to consume but to exchange, to pass along.

"Money," he says, "is in reality nothing more than the right or title to demand something to be paid or done," and so on. (Theory of Credit, Vol. I., p. 72.)

Turning to his last work on "Bimetallism," on page 25, speaking of the errors of Mr. Lowndes, he says: "He totally failed to see that when persons exchange their goods for silver coin they do so to obtain a certain amount of fine silver bullion, and that it is perfectly indifferent to them what number of pieces of money it is contained in."

The bimetallists can wait until Mr. Macleod reconciles these contradictory assertions before seriously considering his breathings of slaughter.

It is very amusing to read the following sentence from one who is forced to admit that, but for human laws, gold would be driven out of circulation: "Thus it was made manifest that human laws, even though sanctioned with the direst penalties, were wholly ineffectual to control the laws of nature." (P. 106.) If gold be the natural standard of currency, as he and other writers assert, why do they oppose any measure which allows silver to compete freely with gold? Nature has given us a very simple rule by which to judge of the fitness of things, the superiority of one thing over another; and that rule is free and unrestricted competition which leads inevitably to the survival of the fittest. The opposition of monometallists to this competition is a confession of failure. Moreover, the Gresham Law, as we have seen, is an assertion of the fact that gold is less fit for currency than silver.

In reading the writings and speeches of monometallists, one fact stands out most prominently, and that is they utterly lose sight of the principal function of money. From a perusal of Mr. Macleod's work, the conclusion one naturally arrives at is, that the whole end and aim of government, of industry and of life itself, is to maintain "a perfect system of coinage." He says the chief business of a government is to establish such a system. Now I submit that a "perfect" industrial system is far more valuable to a nation than any coinage system — industry being the sole creator of wealth. Mr. Macleod inverts the natural order of things. He says that since the coinage law of 1816, England has enjoyed the most perfect system of coinage ever devised by the ingenuity of man, and has been entirely free from all coinage troubles.

An African chief is said to have one of the most remarkable huts in existence. It is composed entirely of human skulls!! If Mr. Macleod will tell us what the coinage act has cost England's workers, how many human souls it has damned to maintain it, we may better judge of its perfection. Certain it is that monometallism has cost the universe more blood, greater loss of wealth, more suffering, than all the natural calamities that ever happened. The attempt to reach this "perfect" standard cost the United States

the ruin of seventy thousand of her merchants in less than ten years (1868–1878), and converted a million of workmen into an army of tramps. It is quite possible to stamp out poverty and discontent and establish universal peace, by exterminating the human race. Order may be preserved by the same methods under which peace finally reigned at Warsaw. The general opinion of humanity seems to be, however, that "perfection" in coinage may be purchased too dearly, and some day the world will wake up and learn with terror and amazement what sacrifices she has made, and how much she has had to pay in order that England might enjoy "a perfect system of coinage."

The "great authorities," which Mr. Macleod cites at length in support of his present position in favor of the gold standard, need influence no one. Oresme was a bishop and a courtier, and his writings upon money show him to have been incapable of perceiving its true nature. He continually confounds the ideal with the material — money with its commodity. The same may be said of Copernicus and the other so-called "authorities." In fact, Mr. Macleod might as well quote Thales as an authority on the science of electricity, or Hero on the expansive force of steam, or Roger Bacon as an authority on chemistry, as Oresme and the others upon monetary science.

One question in connection with this discussion needs to be cleared up. It is always taught in text books and writings bearing upon this subject, that some staple commodity, such as gold, is essential in order to preserve a record of debt, and that if a fluctuating commodity be selected, an injustice is liable to be done to creditors. It will be observed in all the writings of economists upon this question, that the interests of creditors are considered to the utter exclusion of those of debtors. They never inquire whether this or that system may work injury to the debtor class; so long as creditors are amply protected they seem to think all is satisfactorily settled. Similarly, protectionists have a single eye to the interests of manufacturers, and are blinded to those of the much more important class, viz., consumers, and yet the consumers outnumber manufacturers more than ten to one.

If dollars are commodities, as metallists say they are, why should they not fluctuate as well as other commodities? Why should the law step in and by restricting their supply and forbidding competition prevent their price from falling below a certain limit, whilst it places no limit upon their advance? Why should the bankers' commodity be protected beyond that of any other producer? It is said that if dollars became cheap nobody would want them, and industry would become

paralyzed. They might as well say that farmers would stop raising wheat because the markets were over-stocked with agricultural machinery! Money is the tool of commerce and becomes useless only when it ceases to circulate, and that is why gold is the very worst material for money purposes. There would be no danger of silver going out of circulation, unless paper was placed in competition with it. Its commodity price and the government stamp would always save it from going out of circulation. Again, why should a money creditor be protected against loss more than any other kind of creditor; creditor of land, of houses, of machinery, etc.? If I lend my house for a term of years, or my horse, or any other commodity save gold alone, I am merely paid for its use, and the same commodity is returned to me irrespective of the variation in price that it may have undergone during the term of the loan. For instance, my house may have fallen fifty per cent during the term of its rental. The law does not protect me against such loss, nor can I compel my tenant to pay me for this loss. So it is with all other commodities, save the bankers'. Is there any valid reason, dictated by justice or expediency, why the money-creditor should always be protected against loss more than any other man? Or why money-debtors should have to make good these differences in valuation more

than any other kind of debtor? It is true that nominally the money-debtor is only expected to return the same amount of money plus the interest, and hence it is argued that the money-creditor is getting back only the amount of his loan with fair interest. But whilst the money *nominally* has undergone no change, in reality it has, by changing its purchasing power, which is really registered in terms of other commodities. This I have fully demonstrated in the chapter on Credit. And these variations in the purchasing power of money which affect prices so disastrously, causing enormous losses to debtors, is due to the fact that whereas free and unlimited competition is allowed in production of all other commodities, money remains free *from* competition — its supply remains restricted irrespective of the growing need and demand of commerce. Take an illustration:

Suppose a man owed me 100 bushels of wheat a year or two ago, which at that time was worth say ninety cents per bushel; and supposing he gave me a due bill for that amount of wheat, and I now desired its redemption. The price of wheat to-day is fifty cents; what is the real amount of the debt? One hundred bushels of wheat, or the *price* of 100 bushels of wheat? The price *this* year or the price *at the time the debt was incurred?* If the debt was merely 100

bushels of wheat, the debt is, in strict justice, settled by the return of the 100 bushels, irrespective of price. If, however, I was shrewd enough to make the debt in terms of money, I have gained eighty bushels by holding the note. I gave but 100, I get back 180. Now if I had loaned for one year *the price* of the wheat, viz., $90.00, the law would have forbade me to exact more than six per cent, viz., $5.40. I should then have received $95.40 in money; but in wheat my gain is in this case ten and four-fifths bushels, reckoned at fifty cents per bushel. But the eighty bushels represents $40.00, or a gain of forty-four and one-third per cent reckoned in money, or eighty per cent valued in wheat!!

Let us examine this matter closely. Suppose we go back twenty-five or thirty years and imagine the same loan, viz., $90.00, made at that time with wheat at $2.00 per bushel. The wheat value of $90.00 in 1864 was forty-five bushels. At six per cent I should have received in thirty years in interest alone $162.00 in gold; so that in this year of grace, 1894, the principal and interest amounts to $252.00, or about 275 per cent of the original loan!! Extortionate as this may appear, it is a mere bagatelle compared with the farmer's commodity. In 1894 $252.00 will purchase 504 bushels of wheat. *So that by lending the equivalent of forty-five bushels of wheat thirty years ago,*

allowing the interest to accumulate, and drawing both principal and interest now, I get back the equivalent of 504 *bushels of wheat. In other words, I make more than* 1000 *per cent profit!!!* If I had loaned forty-five bushels of wheat at six per cent interest, I should receive during the thirty years in principal and interest 126 bushels; but by the simple device of lending the *price* of forty-five bushels, I receive in principal and interest during exactly the same period 504 bushels!

Again, let us take the main product of the South, viz., cotton. In 1864 cotton was worth $1.30, whilst to-day it is worth only about eight cents per pound. Ninety dollars in 1864 was worth sixty-nine pounds of cotton. The cotton value of $252.00 is the equivalent of 3,150 pounds of cotton in 1894, or a profit of nearly 5,000 per cent!! And yet we have laws against usury!!

Now I have taken two extreme cases in order to show how insidiously and yet how greedily this "perfect" gold standard eats up the wealth of nations by juggling with prices. But what we have seen happen in the case of these two commodities, happens to a greater or less extent in all others.* Let it be understood that these profits and payments are not imaginary. Every farmer

* See chapter on Price, where this system of swindling is fully exposed.

who incurred a debt in 1864 and is compelled to pay it this year, must pay back at least four times the amount of his produce which his debt represented at the time it was incurred, even though he pay no interest. If he pay principal and interest all together, he must pay from ten to fifty times more than the original debt *valued in his own produce.* And now observe: *The only means the farmer has of procuring dollars, is by producing and exchanging whatever agricultural product he may be cultivating, such as wheat, corn, cotton, etc.* Similarly with all other producers. *Men do not raise dollars, but commodities, the prices of which are determined by the dollar monopolists,* so that the more men cheapen production, the more real wealth they produce, the heavier grow their debts. Under the reign of this golden standard, "the flowers of industry are woven into none but funeral wreaths. The laborer digs his own grave." Here is the explanation of that paradox of wealth which we considered in the chapter on that subject — that increased productiveness tends to poverty. Is it any wonder that our producers look with alarm upon any tendency to over-production, when the abundant creation of wealth means destitution and beggary for them? Let not the reader suppose the illustrations here given far-fetched or unreal. *Every dollar which this nation borrowed during the war, the farmers, me-*

chanics, merchants and wealth producers have had to pay, and are now paying interest upon to the total amount of hundreds and even thousands per cent, reckoned in their own products, viz., commodities. It is for this reason the government finds it necessary to tax both production and consumption, to maintain tariffs and play the highwayman at every shipping port upon its coasts. And when we reflect that not a single grain of this borrowed gold seized a ship, captured a fortress, or fired a shot, that it *per se* took no part in either feeding or clothing men, nor assisted in any degree in stamping out rebellion, we must see how, in incurring a gigantic gold debt, the authors of these measures added insanity to crime.*

* Of course the reader will see that I here refer to the *metal* gold, not its purchasing power. But this purchasing power existed before the gold was borrowed. It consisted of the nation's credit. Those who argue that the nation could not have existed without this gold, forget that it was the *national credit that bought the gold.* If the gold speculators find this credit good enough for them, why was it not good enough for every other merchant? The nation could have purchased all its supplies during the war on credit (as in reality it did since its credit was all that it had to offer for gold) without the interference of the interloper—gold. It would thus have avoided the burden of a *gradually increasing debt—which gold always becomes.* The war debt is to-day from twice to twelve times as great, measured in our most staple forms of wealth—agricultural products—notwithstanding that its

It is easy to see that this system of wholesale plunder and brigandage, which the wealth-producers are subjected to, is due to a restricted and monopolized currency. Every exchange in modern commercial affairs is a conversion of special into general purchasing power. Money, whether in the form of coin, notes or credits, represents general purchasing power. Now, every producer is engaged in the production of special purchasing power, represented by commodities. The value of every man's product is gauged by the amount of general purchasing power in active use in the country. It matters not how eagerly one man may desire the products of another, he cannot obtain them unless he possesses money. So that men producing different kinds of wealth, the exchange of which would

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money value has been reduced nearly one-half. In 1865 the debt represented about 1,000,000,000 bushels of wheat, or about 1,700,000,000 pounds of cotton. After paying back an equivalent of more than 3,500,000,000 bushels in principal and interest, we still owe to-day the equivalent of more than 2,000,000,000 bushels, or more than 12,500,000,000 pounds of cotton. In other words, *after having actually paid the debt in its wheat value three times over, and its cotton value fifteen times over, we still owe twice the amount of the original debt in wheat, and twelve times its amount reckoned in cotton!!* Is it any wonder the gold manipulators are in love with their standard? Is it any wonder our farmers remain poor?

result in the satisfaction of their wants, are prevented from doing so simply from want of this tool of exchange, — money — which, but for law, they would create themselves. Therefore we witness starvation in the midst of wealth. Hence it is that the farmers of the Dakotas burn their corn for fuel, whilst the coal miners of Pennsylvania and Virginia are starving for bread, and the railroad companies go into bankruptcy through insufficient traffic. This is the natural result of what Macleod calls "England's perfect system of coinage." Observe, now, the manner in which the gold standard cuts both ways. By restricting general purchasing power consumption is restricted, making fewer purchasers. Competition is therefore confined to producers. This tends to make the competition of production keener, fiercer and more cruel than where competition exists among both buyers and sellers. And this destructive competition eventually leads to combines, trusts and organizations to restrict production, in order to raise prices.

This is the true cause of that modern movement known as the era of trusts, a movement dictated by the laws of self-protection to producers. And this restricted production causes idleness, and turns working men into beggars, tramps and thieves. The contraction of the United States currency which has occurred since

the war, has produced an army of two million tramps. The general prosperity of a country is dependent upon the creation of a large fund of general wealth, consisting of all desirable commodities; and the larger this fund, the happier and more prosperous must that community possessing it become, under proper conditions. Hence, by restricting the issuance of money, by clinging to this gold standard, we are restricting the production of wealth immeasurably, impoverishing ourselves, and making it more and more impossible to pay our debts.

The natural operation of this gold standard is bad enough; but when we remember that the natural limitation to the supply of gold is still further limited by those who control it, who cause it to appear and disappear at will, how inconceivably injurious this "gold axis" is to our welfare, all must admit. What, then, are we to understand from those who insist upon the necessity for a "standard of values" as a question of honesty between debtor and creditor — a standard which, as we have seen, in thirty years has had the power of taxing away our most staple form of wealth, viz., wheat, at the rate of 1000 per cent of the original loan! *

* I have shown in the chapter on "Money" how an invariable ideal unit of purchasing power can be obtained—

To further elucidate this subject, let me point out one feature that the advocates of a standard entirely overlook. Money represents at any given time certain quantities of wealth. When a man borrows gold, he borrows in reality whatever commodities he happens to purchase with it. He does not hoard it or make of it a work of art; he exchanges it. And when he needs it again, in order to discharge the debt, he must go through

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by divorcing money from the material—by abolishing the so-called standard of value. Silver will of course fluctuate, and cause money to fluctuate, as gold does, and therefore cannot form an invariable unit. All we can do is to use it as a makeshift, as a stepping-stone to the ideal. So long as people insist upon regarding money as a commodity, they must allow competition free play in this as in all others. The variations in prices which I have illustrated are due to two causes, viz., cheapened production and contraction of the money supply. It is this contraction which is the cause of all industrial depression, that free silver will partially remedy. Silver dollars will go up and down as all other commodities do; but they will not drop out of sight on the one hand, because the supply can never exceed the demand when cash replaces credit (as it will do to a large extent), and its supply will prevent future panics caused by its disappearance in the other direction, through monopoly. Gold varies also continually, but its supply being always scarce, its general tendency is ever upward. Silver would always remain in sight, varying between the two limits of vision. Gold disappears—but always in one direction—and that when commerce is most in need of it. Hence those constant disturbances in business under which the world groans!

the reverse operation and exchange his products for gold. Now supposing, between the time of his borrowing and discharging the debt, gold has appreciated. The commodities that he bought, and which were virtually what he borrowed, may not purchase one-tenth part of the gold. What must he do? He must procure the gold even at the sacrifice of his home and his life's savings. And if we trace the operation still further, and suppose that with the sacrifice of the man's home he discharges the debt in gold, and thus sustains his reputation for honesty; in the hands of the loaner, what becomes of the gold?

He, like the borrower, does not want the gold itself; he merely wants its purchasing power. So that this "honest standard," which, so far as the material itself is concerned, undergoes no change, has caused the ruin of the borrower, and grown from a comparatively trifling burden to one of enormous magnitude. This cloud which is at first no bigger than a man's hand, finally covers the heavens and ends in a deluge of bankruptcy. The fact is, that gold currency is built upon the most gigantic system of usury ever conceived. So gigantic, so appalling is it, that its advocates dare not have it exposed; and hence they are compelled to set up this fiction of a "standard of value" and an "honest" currency, as a matter of self-preservation to avoid discovery! For it is

morally certain that if the truth were generally known, the gold standard would be swept out of existence, and its authors and advocates consigned to eternal execration. Whether this system was a creation of the human mind for accomplishing what it has done and is still doing, or whether it is an accidental product of civilization, the fact remains that the system necessitates eternal indebtedness.* It makes redemption impossible. Dante's inscription may well be written over this gold system: "All hope abandon ye who enter here."

One fact should be borne in mind by every reader of Mr. Macleod's book. Whenever he speaks of national or universal bankruptcy, which he predicts free silver coinage would result in, he speaks merely for the money brokers and speculators, whose wealth is the result of controlling the standard. A recent suicide was heard to exclaim, "I am about to blot out the universe;" so the bankruptcy of these gold speculators seems to them universal. It is said by economists that the

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*Monometallists tell us we must not trifle with the gold standard, or else it will cause a loss of confidence and we shall not be able to borrow any more gold! Thus every attempt to escape from the necessity of borrowing they strive to check. They make borrowing and indebtedness virtues, instead of showing what they really are—national curses.

gold standard has existed in all ages, and that the general opinion of mankind favors its adoption, and should, therefore, be accepted. My answer is that every nation has had this standard forced upon it by legislators acting in the interests of the moneyed class. It has not been adopted in any nation by the popular vote, nor as a rational system, from choice. It has been established either by the force of the governing class, as in Great Britain, or by trickery and fraud, as in the United States; and with the repeal of those laws the standard would die a natural death. So far as England is concerned, getting other nations to adopt her system has resulted in draining their treasures into her lap, and has won her far more extensive conquests than all the achievements of her armies and navies combined. The gold standard achieves for England more than a successful war could do, without its dangers and expense.

To-day, every nation but China* is sending a stream of wealth to the shores of England, as interest upon borrowed gold. England's sway is far more despotic, absolute and extensive, under

* China is now offered a gold loan as the price she must pay to stop the present war with Japan. Just as soon as she becomes enslaved to the money-power, the Christian nations of the world will insist upon a cessation of bloodshed — but not until then.

this gold standard, than was the power of ancient Rome with her armies. Those who imagine the prevalent use of gold a satisfactory argument in favor of its continued existence, should reflect that at the time slavery was under discussion, forty years ago, the same argument was far more applicable to that institution than to gold at this time. Every argument founded upon historical precedent favored its continuance. No system had been so universally practiced in all ages of the world, as slavery. The ancient civilizations of Egypt, of Greece and Rome were built upon it. It was the very foundation of their social structure. It was proven to be permissible, if not commanded by divine authority, as taught by Moses and the Prophets. It was practiced by the most enlightened and most advanced nations of the earth, right up to the present time. Philosophers and statesmen of the inductive school, who looked with contempt upon *a priori* reasoning, predicted that the world could not exist without this ancient institution. Justice, however, finally triumphed, and the result was that in solving the ethical problem, nations discovered they had solved an economic question with it. The gain to morality was found to be an economic advancement.

I have now, I think, shown the errors and misconceptions of both monometallists and bimetal-

lists, the unscientific nature of both systems, and the impossibility of solving this question, save by destroying the commodity-value of money, and thus reducing money to its proper sphere, its natural function, as a medium of exchange. But as between these two schools there cannot be a moment's hesitation in deciding which is the better system, which will tend more to national wealth and prosperity, and stop this continued borrowing of gold and the creation of irredeemable obligations, which denudes us of all our surplus wealth. Free silver coinage will enable this nation to again achieve national independence, which a body of men, either ignorantly or treacherously, sacrificed to the gold power during, and shortly after, the war. It will increase the volume of money and enable debtors to honestly meet their obligations. Gold, as I have shown, creates debts, and then prevents men from settling them. It places mankind in perpetual bondage. It is a prison gate that only opens inward. Its victims are permitted to enter, but never to escape

Not only are the factors of well-being and of progress rendered impotent by the gold standard, but the factors of evil minister to its exploiters. Wars, State extravagance and political corruption all serve to build up this pyramid of irredeemable debts which almost every nation is now adding to, and upon which the gold octopus feeds.

In vain men toil, in vain they produce, so long as this tape-worm of society exists. All our surplus wealth which should go to form a national store, all our surplus creations we must sacrifice as a peace offering to this insatiable cormorant. In vain science prosecutes her voyage of discovery, and art labors to convert the discordant and hostile elements of nature into a system of usefulness and harmony. In vain temples of learning are reared and libraries founded. All these institutions, all these achievements that have for their object the advancement of learning and the raising of labor to a higher state of efficiency, serve but to strengthen and nourish this octopus; and give it a firmer grasp and a stronger hold on society. In vain ministers preach the gospel of peace and righteousness. In vain peace societies are established. The gold standard means inevitable war. Nations cannot possibly exist long under it.

> **"The children born of it are fire and sword,**
> **Red ruin and the breaking up of laws."**

Repudiation is inevitable. Let us clearly see this. It is not a threat. It is an inevitable result. It cannot be avoided. Nations must strangle this monster or it will strangle them. The gold debts of the world can never be redeemed. Freedom, therefore, can only be secured by repudiation. Although gold does not enter in the

slightest degree into those things that sustain life, or into the maintenance of life itself, by building industry upon this fickle basis our civilization is in danger of being swept away. This question, this money question, is the supreme problem of the hour. It is not a mere abstract question of economics. It does not merely concern statesmen and students of finance. It is the greatest moral, the greatest social question which mankind has ever had to consider. It concerns the lives, fortunes and happiness of every human being in society, and of generations yet unborn. All other questions sink into insignificance compared to this one. It is the *fin du siecle* problem, and our answer to it will determine the character of the drama we shall shortly have to witness, and upon which the curtain of the twentieth century is about to rise.

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